

FINANCIAL TIMES

UK fiscal report

No danger to the family silver

Samuel Brittan, Page 12

The Internet

Who allocates names?

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South Africa

Anatomy of a miracle

Book Review, Page 12

Swire Pacific

Wallflower waits to join the party

Page 16

Toyota plans 'new kind of small car' for Europe

Toyota is developing "a completely new kind of small car for the European market" which is likely to start production at a European plant in 2001, said Hiroshi Okuda, president of Japan's largest car maker. A decision to go ahead with the venture will be taken around mid-1998 with a number of possible European factory options - including a third phase of expansion at Toyota's Burnaston plant in the UK - still under consideration. Mr Okuda refused to indicate a preferred location to build the car, which would be produced at an annual rate of up to 500,000 a year. Page 15

Technology is top concern: Directors of multinationals based in Europe's biggest trading nations view technological change as a greater challenge to their businesses in the next millennium than the introduction of a single currency, according to accountants Deloitte Touche Tohmatsu. Page 2

Clabeq workers snub rescue plans: Workers at Forges de Clabeq, the bankrupt Belgian steelworks, have rejected a plan which might have allowed part of the business to be sold to a foreign buyer. Page 3

Japan not for stock options: Japan's parliament is poised to pass legislation permitting companies to offer employees stock options for the first time, after a key committee threw its support behind the scheme. Page 14

UK output drops: Manufacturing output in the UK dropped unexpectedly in March, confirming that sterling's strength is eating away at the recovery in industry. Page 9

Trade 'prolonged world war two':

Switzerland and other neutrals boosted Nazi Germany by trading with it and accepting looted gold, says a US report. That "had the clear effect of supporting and prolonging Nazi Germany's capacity to wage war," said report coordinator Stuart Eizenstat (left). Page 14

France and Germany divided over ECB: France and Germany are locked in a dispute over whether the planned European Central Bank or national central banks should have the power to conduct foreign exchange and some money market operations after the scheduled start of European economic and monetary union in 1999. Page 2

Chirac weighs in with appeal to voters: President Jacques Chirac intervened in France's increasingly close parliamentary election campaign with an attack on the spending and taxing policies of the left and an appeal to voters to back him and his centre-right government. Page 2

China considers bond issues: China may allow large state-owned enterprises to issue bonds on international markets in a move to help finance the reform of state sector companies. Page 14

Weizman and Arafat discuss security: President Ezer Weizman of Israel and Palestinian leader Yasser Arafat have made the first tentative steps towards renewing security co-operation, suspended in March. Page 6

Delagoty to cut dividends: Delagoty, the UK petfood and agribusiness group, is to cut its dividend by a third after warning that second-half profits would fall to match the \$70m of the first six months. Page 15; Lex, Page 14

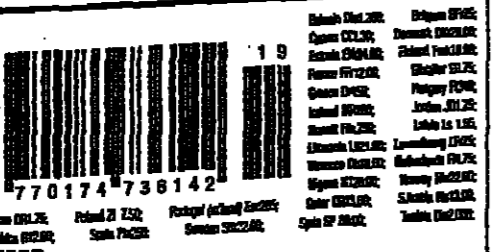
Beijing warns to Jardine: China's top economic official met the chairman of Jardine Matheson in Beijing's leadership compound, signalling a warming of relations with the British-backed Hong Kong conglomerate. Page 15

Lufthansa quarterly profits: Lufthansa presented evidence of success in its drive to cut wage costs as it posted its first ever first-quarter profit despite a 37 per cent surge in fuel prices. Page 15

Russia's new millennium: The Kremlin approved a grand security plan laying out a vision of Russia's role in the world in the 21st century. Page 3

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| STOCK MARKET INDICES | | GOLD | |
|------------------------------|---------------------|-------------------------|------------------|
| New York: Dow Jones Ind. Av. | 7178.97 (+45.39) | New York: Gold (per oz) | \$341.2 (\$40.2) |
| NYSE: S&P 500 | 1031.05 (+2.78) | London: Gold (per 100g) | \$341.3 (\$42.7) |
| FTSE 100 | 2621.50 (+8.62) | | |
| Nikkei | 10,948.90 (+132.02) | DOLLAR | |
| US LUNTIME RATES | | New York: 3-month | 5.89% |
| Federal Funds | 5.75% | 6-month | 5.89% |
| 3-month T-bill | 5.23% | 12-month | 5.89% |
| Long Bond | 5.61% | | |
| Yield | 5.60% | OTHER RATES | |
| UK: 3-month | 5.75% | US: 10 yr | 5.89% |
| US: 10 yr | 5.89% | UK: 10 yr | 5.89% |
| France: 10 yr | 5.89% | Japan: 10 yr | 5.89% |
| Germany: 10 yr | 5.89% | | |
| NORTH SEA OIL (Argus) | | STERLING | |
| Brent Blend | \$17.91 (17.77) | DM | 2.8136 (2.8159) |



ICI in £4.9bn chemicals buy

By Jenny Luesby

Imperial Chemical Industries is to buy Unilever's specialty chemicals division for £4.9bn, and sell \$3bn of its own industrial chemicals businesses.

The combined deals, some of which have yet to be finalised, amounted to "a complete transformation" of ICI, said Sir Ronald Hampel, chairman. Much of the new ICI will be made up of Unilever businesses under a new name.

Unilever will emerge with a \$3bn cash pile, with which to accelerate its drive into developing markets. It plans acquisitions in both its foods and personal products businesses, to lift the share of its sales in developing markets from 30 per cent to 50 per cent within a decade.

Unilever deal marks 'transformation'

ICI's purchase from Unilever, following two weeks of negotiations, will be underpinned by an ambitious financial package.

The group is to borrow \$8bn, at an interest rate locked in through hedging arrangements at below 7.5 per cent. Together with a \$3.5bn goodwill write-off, this will take ICI's gearing - its debt to equity ratio - to more than 1,000 per cent. ICI said such a financial stretch was justified by the enhanced growth prospects and profitability promised by the deal. This view appeared to be supported by analysts and shareholders, with the shares closing up 43p at 757.4p.

Unilever's four businesses have all sustained operating margins of above 20 per cent, compared with ICI's first-quarter margin of less than 4 per cent.

The largest of the four is National Starch, a manufacturer of industrial adhesives as well as starches. The three others are Quest, which makes food flavours and fragrances; Unichema, making chemicals from natural fats; and Croscoll, which specialises in detergent ingredients. Their combined sales last year amounted to £2.93bn, compared with £10.5bn for ICI. As part of Unilever, National Starch, for example, was

unable to seek contracts from Procter & Gamble, a big buyer of glues and starches, because the US group was Unilever's competitor. As part of ICI, aggressive expansion was planned in this area, said Mr Charles Miller Smith, ICI's chief executive.

Before joining ICI, Mr Miller Smith spent 30 years at Unilever, where he headed Quest, worked within National Starch and spent several years at the chemicals division. ICI first approached Unilever with an offer last year. Two weeks ago it submitted a higher bid, aided by its ability to deliver a deal rapidly. It has simultaneously been

working on disposals to reduce borrowings. It is to float its 62.4 per cent stake in ICI Australia, which at yesterday's closing price would be worth about \$1.1bn.

Another £700m will come through the sale of its Tioxide subsidiary, which makes the pigment for paints and plastics. In February it had announced the planned flotation of this business but has since opened talks with a competitor.

Other businesses that it will be selling, or reducing its interest in, include polyester, fertilisers and chlorine. The group hopes to get out of explosives through an asset swap with its Australian subsidiary. Details, Page 21; Lex, Page 14; Cultural exchange, Page 13

GEC, BAe and Dasa intervene in Thomson auction

By Bernard Gray in London, David Buchan in Paris and Graham Bowley in Frankfurt

General Electric Company, British Aerospace and Daimler-Benz Aerospace (Dasa) yesterday pitched into the auction for Thomson-CSF, the French state-controlled defence electronics company.

Their intervention came as the two main contenders, Alcatel and the Lagardere group of France, submitted their final bids to the French government. The foreign companies stepped in to support the French bids because they view the fate of Thomson as crucial to the restructuring of the European defence electronics sector.

Within minutes of the mid-day deadline for bids to be lodged in Paris, GEC announced it had agreed with Alcatel and Lagardere to negotiate with whoever wins the Thomson bid, its defence subsidiary, and Thomson-CSF.

Daimler-Benz Aerospace said it was pooling its defence electronics interests with the Lagardere camp. Dasa also offered encouragement to the Lagardere team in its bid for Thomson, but stopped short of backing it financially.

Dasa said it was throwing its "total and unconditional support" behind Lagardere's bid for Thomson-CSF. Dasa's space business will be pooled with Matra Marconi Space, a joint venture between Lagardere and GEC-Marconi, while 30 per cent of its missile business LFK will be linked to Matra BAe Dynamics, the Lagardere-BAe missiles joint venture formed last year.

BAe said that if the Lagardere bid was successful, in addition to pooling Thomson's missile business with Matra BAe Dynamics, Thomson and BAe's naval electronics businesses would also be combined. BAe will also back Lagardere's bid with £300m (\$490m), of which £135m will

Continued on Page 14
Airbus profits fall, Page 17

Cook pledges end to battles with Europe

By John Kampner and Peter Norman in Bonn

Mr Robin Cook yesterday pledged to draw a line under the "sterile, negative and fruitless conflict" between the UK and its neighbours, vowing that Britain would join Germany and France in a "triangular" leading role in the European Union.

The British foreign secretary, in a whirlwind trip to Paris and Bonn, said it was Britain's "firm intention" to reach agreement on EU reforms at next month's inter-governmental conference in Amsterdam. "We want there to be three main players in Europe, not two," he said.

In a demonstration of what the Labour government hopes will be a tripartite relationship, Mr Cook agreed with Mr Hervé de Charette, the French foreign minister, and Mr Klaus Kinkel, his German opposite number, to co-ordinate moves to secure an early international ban on land mines.

Mr Cook's reception in Bonn and Paris was warm, with his counterparts showing ill-concealed relief at the change of tone.

However, Mr Cook insisted Britain would retain control over its borders, and asylum and immigration policy. It would also reject moves to give the EU overall competence for defence policy, an area he said should remain under Nato.

France and Germany are locked in a dispute over whether the planned European Central Bank or national central banks should have the power to conduct foreign exchange and money market operations after the scheduled start of European economic and monetary union in 1999.

Report, Page 2

Britain would also insist on concrete measures to address the quota-hopping issue disrupting the Common Fisheries Policy. But he backed away from suggestions that the UK would allow agreement at Amsterdam to be scrapped.

The French minister for Europe, Mr Michel Barnier, will visit London next month to work out a common Franco-British approach to reforming the three institutions of the EU - the Council, the Commission and parliament.

Mr Cook said the aim was to give "a flying start" to plans for enlargement into central and eastern Europe and to complete the single market - the two main priorities of the

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US regulators reveal last part of telecoms shake-up

By Richard Waters in New York

A historic overhaul of US telephone markets moved nearer yesterday as federal regulators revealed the final part of their plan for breaking down barriers separating local and long-distance carriers.

Officials at the Federal Communications Commission predicted the changes would save US telephone users \$25bn over the next six years - \$14.5bn to residential customers, and the rest to businesses.

It will be months before final details of the plan, outlined in broad terms yesterday, are in place. Also, telecoms industry executives and analysts said that the likelihood of legal challenges and the appointment of three new commissioners to the regulatory body meant considerable uncertainty over the outcome remained.

Some observers questioned the extent of the savings. Any projections depended on assumptions about the extent

to which telephone use was stimulated by a change in rates, said Mr William Gaik, a telecommunications consultant at Deloitte & Touche.

Yesterday's changes were the second of two phases touched off by the US Telecommunications Act. This was meant to allow full competition between long-distance carriers, such as AT&T, and the local companies, or Baby Bells, which have had a monopoly on carrying calls in their geographical regions.

The FCC said the charges paid by long-distance companies to have their calls completed on the local networks would be cut by \$1.7bn in the next 12 months. These charges are estimated to amount to more than \$20bn a year.

The FCC also adopted a levy on some phone users to provide the money for a so-called "universal service" fund it was required to set up by the Act. This will be used to subsidise low-income telephone customers, while providing the money to ensure all of the country's

schools, libraries and rural hospitals are hooked up to the Internet.

Mr Tim Price, president of MCI, the second largest long-distance company, called the changes the "first step towards eliminating the billions of dollars of unjustified overcharges by the local monopoly phone companies". MCI would continue to fight to have the remaining access charges removed.

The plan drew greater criticism from local carriers - the most directly affected. Criticism also came from small businesses, among those facing higher telephone charges.

The first phase of the FCC's plan - a framework for the terms on which rival local and long-distance companies were required to connect their networks

was successfully challenged by the Bell companies who are awaiting the outcome of an appeal.

Ringling the changes, Page 4

It's a Cinven fact

Our lead as the number one private equity deal leader in the 1990's has increased.

(Acquisitions Monthly 1996 statistics)

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NEWS: EUROPE

John Kampfner, with the UK's new foreign secretary, feels the shape of the heart of Europe

Not quite triangular, but less edgy

The welcome went far beyond the needs of protocol, but the French were keen to impress. As the first country to pay host to Mr Robin Cook, foreign secretary of a new and more communicative British government, the Quai d'Orsay produced the Republic Guard.

Mr Cook's first outing since the transfer of power was labelled a working visit. But the French despatch of 14 soldiers, resplendent in their képis in the pouring rain, was designed to send a signal that this was "something special".

Mr Cook and his deputy, Mr Douglas Henderson, tried to hide their smiles. So did the civil servants on both sides, who until last week were more used to dealing with the traditional British refrain of hostility to further European Union integration. Those same aides in the foreign office who had spent the last decade and more preparing and explaining the "no, no, no" message quickly learned new lines, as if acting in the premiere of a new play.

They too saw the irony in their endeavours. Within a few weeks, it will all become familiar territory. Even the atmosphere within the department, they remarked, was changing. "We've been told to be more informal and open, so give us points for trying at least," said one adviser.

On the flight over, Mr Cook eschewed his seat in a separate compartment to breakfast with journalists, to explain his mission ahead of the Amsterdam intergovernmental conference in a month, which is set to complete negotiations on EU reform.

"The trouble with the Conservative position is that they said 'no' so often that

European partners welcome UK pledge to ditch its 'bad boy' image

The new Labour government in Britain says the UK is no longer the bad boy in Europe, a sudden shift toward sweetness and reason which has taken many continental by surprise, writes Lionel Barber in Brussels.

In Brussels, a notoriously Anglophobic French journalist declares he intends to take a holiday in England this summer. A Spanish colleague predicts that Mr Blair's landslide election victory could spell a revival for Mr Felipe Gonzalez's Socialist party. But the biggest impact is on the EU's inter-governmental conference.

Where the Conservatives were dour and dogmatic, Labour proclaims it is ready to strike a deal. The switch began with the declaration on Monday that Britain will sign the Social Chapter, ending more than five years of isolation on EU social policy. Mr Doug Henderson, the new European affairs minister, also announced a

people lost track with which were the essential "noes" and which were simply "noes," he said. "I'm not in the business of creating goodwill. I'm in the business of negotiating a deal, but constructive negotiation produces an environment which will get that deal."

Mr Cook is convinced that much of the obduracy of the former government was counter-productive. He cited the example of the UK insisting on veto rights over an EU-wide anti-fraud initiative. "They resisted this on bizarre ideological grounds that it was damaging to the single market," Mr Cook said. "Weird, totally weird."

When it comes down to the substance, what difference will Mr Tony Blair's premiership make at the IGC and beyond? British membership of European monetary union at its start in 1999

is all but ruled out. No change there, but Mr Cook insists this will not detract from a warmer general relationship.

On border controls and asylum and immigration procedure, the Labour government is adamant it wants Britain's particular status as an island to be enshrined in the Amsterdam treaty. Mr Cook and Mr Blair appear to be knocking at an open door there, although some of the detail remains to be settled.

On other aspects, Britain is prepared to make considerable compromises - opting back in on the social chapter, as already announced, signing the employment chapter that stipulates basic working rights; a common front on tackling fraud; granting the European parliament more powers; allowing qualified majority voting in areas such as environ-

ment, and a re-weighting of votes in the European Council in favour of larger states such as the UK when the EU takes in former communist countries, probably in return for an overall cut in commissions.

Mr Cook works from the assumption that Britain can, and should, sign the IGC treaty. Demands for a revision to fisheries policy to cut down on quota-hopping remain, but talk of scupper agreement has been replaced by a call for a "commitment to deal constructively with the issue".

The row over the failure to lift the ban on British beef is deemed a longer term problem that ministers say is the best example of a lack of constructive engagement by the former administration.

The new tone went down swimmingly in Paris. First stop was the Socialist party

readiness to support a limited extension of majority voting. Labour's advent has exposed other countries which have been happy to hide behind the Tories in the IGC talks. The Scandinavians probably feel most uncomfortable; they have to sell the Maastricht II treaty to a sceptical public in a referendum.

The Danes are nervous about any extension of EU-wide powers or moves toward more supranational decision-making. They oppose the European Commission being given extra powers in matters of immigration. Nor do they want the European Parliament strengthened at the expense of national parliaments.

The Swedes are conscious that voters only approved EU membership in 1994 by a narrow majority. Sweden supports limited changes necessary to support enlargement to central Europe, but would be much happier with the

status quo. "The EU is not the club they thought they joined," says an IGC negotiator.

The Finns do not like Franco-German proposals for a phased merger of the EU and the Western European Union. Like fellow neutrals Austria, Sweden, and Ireland, they oppose the EU becoming into an instrument for collective security. Labour, like its Conservative predecessor, agrees.

By abandoning categorical positions, for example on majority voting, the new British government has shifted the spotlight on to other divisive issues. Most important is the balance of power between small and large member states.

The Finns, Luxembourgers, Dutch and Irish have threatened to block the IGC unless they retain their right to an EU commissioner. The French position in favour of streamlining the 20-member European Commission is just as hardline, for the moment.

made it to Bonn first. That leg was left to the afternoon because Mr Kinkel happened to be holding talks in Egypt.

In the spirit of "fairness" he praised the engagement of Mr Michael (sic) Rieckhoff, the outgoing UK foreign secretary, describing relations with Britain until now as vital, although "unspectacular and sober".

As if to demonstrate a new closeness he and Mr Cook went off for some asparagus (very much in season) and the best Asilese that the Rhineland can offer. Did this, Mr Kinkel was asked, suggest the Franco-German axis was to be broadened to include the British? "All these countries must play a leading role," he replied, "but we shouldn't speak of triangles." Game, set, but not quite match.

Editorial Comment, Page 13

headquarters, in the midst of their own election campaign. Mr Cook said it would have been "presumptuous" to give Mr Lionel Jospin, the Socialist leader, a lesson in gathering votes. He was only being diplomatic.

Over a "large but unstuffy" lunch at the Quai, Mr Cook outlined his new project to Mr Hervé de Charrette, his French counterpart, who spoke afterwards of a "new relationship of friendship". The two announced a deal on landmines, to be joined later by the Germans - a gesture of a new tripartite arrangement Mr Cook is seeking to build.

On to Bonn, via a cream tea courtesy of the RAF, and a warm but less effusive welcome from Mr Klaus Kinkel, the German foreign minister. Mr Kinkel suggested that Mr Cook would, in normal circumstances, have

made it to Bonn first. That leg was left to the afternoon because Mr Kinkel happened to be holding talks in Egypt.

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Editorial Comment, Page 13

France and Germany divided over ECB role

By Wolfgang Münchau in London and Andrew Fisher in Frankfurt

France and Germany are locked in a dispute over whether the new European Central Bank or national central banks should have the power to conduct foreign exchange and some money market operations after the scheduled start of European economic and monetary union in 1999.

Germany and the smaller EU countries are lobbying heavily for the Frankfurt-based ECB to be able to fine tune the money and foreign exchange market operations. France is arguing that these pow-

ers should not be given to the ECB but remain with national central banks. Also at issue is whether the ECB manages its own reserves or whether this should be done by Emu central banks.

One senior European central banker, who is a member of the council of the European Monetary Institute (Emi), the forerunner of the European Central Bank, said: "Suddenly what we thought had been agreed on now seems not to be so. This [the French position] is quite surprising. Financial centre considerations are behind this."

France also disagrees with other potential Emu members over

whether the ECB should be linked directly to Target, the real-time euro payments clearing system. The French position is that the institute, which developed Target, should not be integrated into the system. Once Emu begins, the existence of the euro as a single currency will place Frankfurt, where the institute is based and the ECB will also have its headquarters, in even more direct competition with Paris as a financial centre. The greater the operational powers of the ECB, the more this is likely to enhance Frankfurt's status, the French argument goes.

A participant of Emi council

meetings confirmed that the gatherings were increasingly preoccupied by the divisions especially between France and Germany over this issue.

Another observer close to the situation said: "At its heart, this is a disagreement about financial centres. It is evident that the French are digging in their heels. But the idea that the central bank's dealing operations make or break your financial centre is ludicrous. There are years where there is absolutely no intervention in financial markets whatsoever."

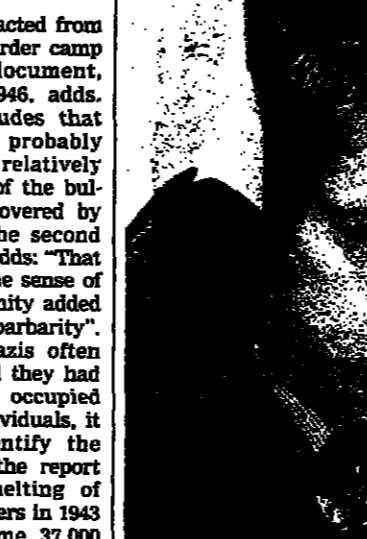
Although the disagreement does not touch on the main task of the

ECB - to decide monetary policy in the euro zone and oversee its implementation by national central banks - it highlights the difference of approach between France and its European partners, especially Germany.

The Maastricht Treaty, which sets out the responsibilities of the ECB and national central banks in a special protocol, is vague on this issue. Article 12 of the protocol says that "the ECB shall have recourse to the national central banks". However, the precise relationship between the ECB and national central bank has yet to be worked out in detail.

The United Nations war crimes tribunal in The Hague yesterday found Bosnian Serb Dusan Tadic (above), guilty of war crimes and crimes against humanity for his part in an "ethnic cleansing" campaign against Bosnian Muslims in 1992. Reporters from The Hague.

Tadic, 41, was found guilty on 11 counts of persecution and beatings and convicted of two killings which were not charged as murders but included under the persecution charge. Three judges found him not guilty on nine counts of murder and declared a further 11 charges inapplicable. Tadic's lawyers said they would appeal, meaning a likely postponement of the July 1 date set for sentencing. PICTURE AP



The United Nations war crimes tribunal in The Hague yesterday found Bosnian Serb Dusan Tadic (above), guilty of war crimes and crimes against humanity for his part in an "ethnic cleansing" campaign against Bosnian Muslims in 1992. Reporters from The Hague.

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The government's main

He said on radio that he had told Mr Robert Hue, the Communist leader, that "if there is a majority in which the Socialists have a far bigger contingent than the Communist party... there can only be one line: the one set by the French people that gave the parliamentary majority to the candidates of this party."

Mr Hue, whose party has long campaigned against the euro, claimed the Socialists were indulging in old-style hegemonism which "would forfeit much of the credibility of the left's efforts to be innovative and modern".

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EUROPEAN NEWS DIGEST

BA lobbies in airport row

British Airways said yesterday it would be lobbying the British and French governments to try to resolve a dispute over Air Algérie's operation at Charles de Gaulle airport in Paris. BA, whose check-in desk is next to Air Algérie's, claims security for the Algerian carrier's desk is insufficient to ensure the safety of passengers.

A BA spokesman said a French court had decided yesterday to pass the case on to a panel of three judges, and the airline did not expect it to be heard for several weeks. "This case was brought on behalf of all the airlines operating into Charles de Gaulle and we have the full support of the British government," he said.

BA has moved its check-in facilities out of Charles de Gaulle and has been processing some passengers at a nearby hotel. The airline said it had had to put "hundreds" of others on flights with other companies.

Michael Peel, London

Poles schedule oil sector sales

Nafta Polska, the state-owned holding company which controls Poland's oil refineries and half of the country's petrol stations, is to start selling some of its assets at the beginning of next year.

Initially it will sell 20-30 per cent stakes in each of the two large refineries at Plock and Gdansk, together with the petrol distribution network. A privatisation adviser for the sale has yet to be appointed but NP is confident one will be in place by next month.

According to Nafta Polska, 13 foreign companies have expressed initial interest. These are Agip Petroli, BP, Conoco, Elf, Exxon, Koch Industries International, Lukoil, Maroil, Neste, Royal Dutch Shell, Statoil, Texaco and Total.

Christopher Bobinski, Warsaw

Technology is top concern

Directors of multinationals based in Europe's biggest trading nations view technological change as a greater challenge to their business in the next millennium than the introduction of a single currency, according to a survey by the accounting firm Deloitte Touche Tohmatsu.

While 30 per cent considered monetary union a significant factor and the same proportion identified recruitment of skilled staff as a prime concern, 58 per cent regarded developments such as the Internet as key to their competitiveness. Opinion Research Business interviewed 120 executives from the top 1,000 companies in Britain, France, Germany and the Netherlands.

The findings were announced in Amsterdam yesterday as Deloitte's European partners convened for their annual meeting. Mr Jacques Manardo, chairman of the company in Europe, said that although businesses "underestimate the impact of the single currency at their peril," those successful in the long term would be those who "adapt to new ways of working, embracing new technologies in a global environment".

Gordon Crenah, Amsterdam
Deloitte Touche Tohmatsu International. Available free from Oriana Pound, telephone +44171 303 5055; fax +44171 336 2008.

Italian warning on Albania

Italy said yesterday the multinational security force it is leading in Albania should pull out if elections do not go ahead as planned next month.

Mr Beniamino Andreatta, the defence minister, told parliament the mission was linked to a deal struck by parties in Tirana two months ago which installed an emergency government and agreed to hold early elections by the end of June. "If this agreement fails, both the United Nations and the governments involved... should look again at the reasons for the mission and proceed with its withdrawal," he said.

His comments, the first indication that the force could be pulled out early, came as the European mediator, Mr Franz Vranitzky, flew to Tirana for two days of talks to unblock an impasse over electoral procedure.

Albania's parliament only has until May 15 to agree on an electoral procedure if the vote is to take place on June 28. Parliament must be dissolved for 45 days before an election.

Reuters, Rome

Czechs favour Boeing group

A consortium comprising Boeing and McDonnell Douglas, the US aerospace groups, and CSA Czech Airlines, has emerged as the front-runner to take a stake of 34-40 per cent in Aero Vodochody, the troubled Czech state-owned aircraft maker. Mr Václav Klaus, the country's prime minister, announced exclusive negotiations with the consortium following the public tender, launched earlier this year, which called for an injection of at least Kč500m (\$30m) in new equity capital.

Vodochody, which has a workforce of around 2,300, made a loss of Kč518.5m in 1996 on a turnover of Kč2.97bn. It is developing a new generation training and light attack aircraft, the L-159.

McDonnell Douglas, whose planned merger with Boeing is being reviewed by the US Federal Trade Commission, is also bidding to sell its F/A18 Hornet fighter to the Czech air force. It is facing competition from Lockheed Martin, Dassault and Saab/British Aerospace.

Kevin Done, London and Vincent Boland, Prague

Macedonia gains \$135m loans

The World Bank and the International Monetary Fund are to make loans totalling around \$135m to Macedonia to support economic reforms and accelerate privatisation.

Macedonia, poorest of the former Yugoslav republics, is to receive two loans from the Bank of \$30m each. One will be an International Development Association credit with a 35-year maturity including a 10-year grace period. The Bank said the loans were aimed at promoting reforms in the trade and agricultural sectors.

The IMF has approved a \$75m loan payable over three years to support the country's 1997-99 economic reform programme. It said that the economy "has yet to turn around decisively", with unemployment as high as 30 per cent. The banking sector was suffering from a heavy burden of non-performing loans.

The Macedonian economy contracted by around 30 per cent from 1991 to 1995, but the recession was halted last year, and gross domestic product is forecast to grow by 5 per cent in 1997 and by 5.3 per cent next year. Kevin Done

Germans deny insider trading

SAP, the German business software developer, trying to limit damage from an insider trading probe, said its top managers and other key employees had not engaged in any illegal dealings. Employees, including board members who knew last year's third quarter would show weakened growth, had sworn they did not engage in share trading based on that information, Mr Bernd Thiemann, supervisory board chairman, told the annual meeting.

Mr Dietmar Hopp, chief executive, said "the unbelievable uproar over this process is likely to have caused major financial damage". But the group had set a goal of increasing revenue by DM1bn (\$80m) this year from DM3.72bn in 1996.

Mr Hopp and members of the supervisory and management boards had signed documents asserting that they "at no time dealt in SAP shares or derivatives in violation of insider trading rules," Mr Thiemann said. Managers had not passed on relevant information to third parties where this was not necessary. Other employees with access to critical data have also sworn they did not engage in insider trading. Reuters, Mannheim

Allies mixed up 'victim' gold

Nazis sent 'non-monetary' gold to Switzerland. Bruce Clark reports

The \$400m worth of gold sent to Switzerland from Germany during the second world war came in part from personal possessions - such as jewellery, coins and even dental fillings - taken from Jews and other victims of Nazism, according to a landmark US government report published yesterday.

But the 200-page report, which follows a six-month review of more than 15m pages of documents in the US national archives, does not find any evidence that the Swiss knowingly accepted "victim" gold.

The Nazis' use of "non-monetary" gold seized from individual victims of persecution was the most sensitive issue addressed by the study, ordered by President Bill Clinton after an outcry

by the World Jewish Congress and prominent US legislators such as Senator Alfonse D'Amato.

The conclusions, while embarrassing for the Swiss and other neutral nations which traded with Germany, may also throw some unwelcome light on the shortcomings and compromises of the US and its allies.

The report finds, for example, that the US government consciously "misdirected" gold from Nazi victims into the pool established by the Tripartite Gold Commission (TGC), whose aim was to compensate governments, not individuals.

The TGC, grouping Britain, France and the US, has paid out a total of 336 tonnes to 10 European countries which were occupied by the Nazis and had their assets confiscated. The most recent payment was to Albania in October 1995.

The US government is now proposing that the six tonnes of gold which remain in the pool, worth about \$70m at today's values,

should form the basis of a fund for Holocaust survivors - notably those who ended up in eastern Europe and have not received any other compensation.

The failure to compensate Holocaust victims adequately reflects a "sad combination of indifference on the part of the neutrals and inaction by the allies," says Mr Stuart Eizenstat, commerce under-secretary and principal author, in an introduction to the report.

The US, it emerges from the report, was well aware of the grisly practice of adding "victim gold" to the assets of the Nazi state, as its troops had discovered a huge cache of bullion in a mine in 1945.

A US army document, released with yesterday's study, says the Merkers mine included "an untold quantity of money and personal jewellery apparently stolen or taken from victims of the Nazi regime".

"There are also some 600 lbs of gold tooth fillings said

to have been extracted from the mouths of murder camp victims," the document, dated January 1946, adds. The study concludes that individual gold probably accounted for a relatively small proportion of the bullion that was recovered by the allies after the second world war, but it adds: "That scarcely lessens the sense of a final grim indignity added to the toll of Nazi barbarity".

Because the Nazis often resmelted the gold they had seized from both occupied countries and individuals, it was hard to identify the source. However the report noted that a smelting of looted Dutch guilders in 1943 also included some 37,000 grams of gold seized by the SS from individuals.

"Of the bars which resulted from this smelting, 83 per cent were traded to the Swiss National Bank, the rest to Italy," the report says. "Thus it is clear that bullion traded to Switzerland and other neutral countries included some of this 'victim gold'."

Chirac weighs in with appeal to voters

By David Buchanan in Paris

President Jacques Chirac yesterday intervened in France's increasingly close parliamentary election campaign with an attack on the spending and taxing policies of the left and an appeal to voters to back him and his centre-right government.

Mr Chirac concluded a much-awaited article, carried yesterday by selected regional and national newspapers, by saying: "I need your support to continue the work which we have begun together, and which can only bear fruit over time." The

Gaullist president has called the election in an attempt to give his centre-right, in power since 1993, another five-year term. Voting will take place in two rounds, on May 25 and June 1.

Yesterday the left dismissed Mr Chirac's comments. Mr Laurent Fabius, a former Socialist prime minister, claimed the president was "out of touch", urging continuity when the country would change. Mr Lionel Jospin, Socialist leader, noted that "only a fortnight into the campaign the right has had to call on the president" to save it. Mr Alain

Juppé, Gaullist prime minister, said the president's message would give "new élan" to the centre-right campaign.

However, the somewhat Olympian tone of Mr Chirac's article, considered normal for a French president in an election in which his office is not directly in question, may have blunted its impact. Nowhere in his 1,500-word article did Mr Chirac mention parties, protagonists or even left or right by name - perhaps because to have done so would have highlighted the role of Mr Juppé, whose personal unpopularity is considered

the government's main handicap.

The Elysée chose 14 regional newspapers to carry the article, a selection that irritated the rest of the press, even though many of them managed to run it in later editions. Mr Jospin said yesterday he would reply with a similar article, but would not discriminate in its distribution. He stirred tensions with his Communist allies by stating that in a left-wing government, the larger Socialist party's position of qualified support for the single European currency would prevail.

He said on radio that he had told Mr Robert Hue, the Communist leader, that "if there is a majority in which the Socialists have a far bigger contingent than the Communist party... there can only be one line: the one set by the French people that gave the parliamentary majority to the candidates of this party."

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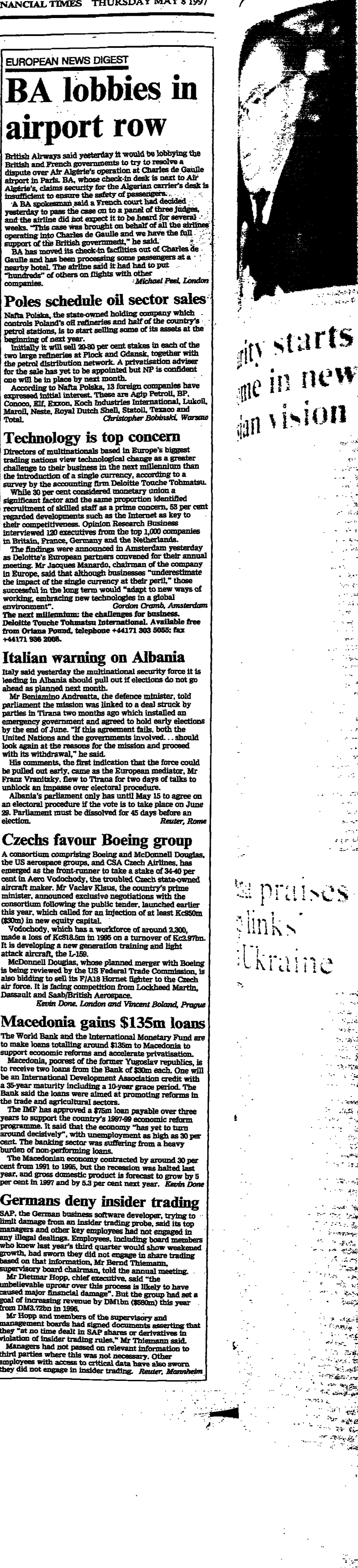
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Foreign minister Yevgeny Primakov, in Luxembourg yesterday, will try again next week to reach Nato accord

Security starts at home in new Russian vision

By Christy Freeland in Moscow

The Kremlin yesterday approved a grand security plan laying out a vision of Russia's role in the world in the 21st century. Details of the document were sketchy, however, and experts said everything would hinge on how it was implemented.

One of the main thrusts of the four-part programme is believed to be its conclusion that the main threat to Russia's security comes not from external enemies but from homegrown social and economic problems.

The plan was presented at a meeting of the Security Council, one of Russia's top policy-making bodies, chaired by President Boris Yeltsin.

Although details of what is effectively a new mission statement for the nation are expected to be published only later this month, Russian news agencies said the programme identified "strengthening social stability" as the national security priority.

At the Security Council meeting Mr Yeltsin said the plan also assessed Russia's position in the world in the wake of Nato's expected eastern expansion, and reinforced Russia's intention to strengthen alliances with its eastern neighbours.

Russian and Nato officials, who failed in Luxembourg

this week to reach an agreement over the western alliance's planned enlargement, are scheduled to meet again in Moscow next Tuesday to try to hammer out a deal. A Kremlin spokesman warned yesterday that those talks were likely to be difficult, saying that "much more effort is needed from Nato as a bloc and from its members to reach mutually acceptable formulae which would allow us to sign the document".

Commenting on the new security doctrine, Mr Sergei Karaganov, a presidential adviser and international affairs expert, said: "This is a step forward in building a normal state, but a very small one. The most important thing is not the document itself, it is its implementation. The main problem in Russia is not a lack of ideas but the problems which arise when one tries to implement them."

Mr Yeltsin's attempt to redefine Russia's role in the world coincided with a continued drive by his rejuvenated government to break up the monopolies that are thwarting the nation's potential for economic growth.

At a cabinet meeting yesterday Mr Boris Nemtsov, a first deputy prime minister, said the government would not hesitate to initiate criminal proceedings against enterprises that establish monopolies.

Solana praises 'deep links' with Ukraine

By Matthew Kaminski in Kiev

Mr Javier Solana, Nato secretary-general, yesterday warmly praised "the very deep and very extensive" links between the western military alliance and Ukraine. Only the day before he had held inconclusive talks with Russian leaders on a security charter.

"An independent, democratic and stable Ukraine is one of the key factors for stability in Europe," Mr Solana said. "Nato attaches a special importance to a special relationship with Ukraine".

The one-day visit to the Ukrainian capital highlighted starkly the contrast in the alliance's relations with the former Soviet Union's two most populous countries. It reflects an eagerness in Kiev for closer engagement with the west and its fear of forced integration with Russia.

Mr Solana presented President Leonid Kuchma with Nato's draft proposal for closer co-operation that he said should be concluded before the alliance's summit in July in Madrid.

His visit was designed to push forward the agreement, which will expand Ukraine's political and military contacts with the alliance, beyond the present Partnership for Peace programme.

Nato's planned expansion eastward has lent greater urgency to strengthening ties with Ukraine, which, while it does not seek membership along with central European states, is keen to shore up its independence.

Officials in Kiev had been vocal in their concerns recently that Nato's focus on closing a deal with Russia had led it to neglect Ukraine. However, western diplomats said the accord would fall short of Kiev's demands for explicit security guarantees. Instead, it envisages a permanent Ukraine-Nato council, one said.

Mr Solana also expressed confidence yesterday that he had won "guarantees" from the Kiev leadership that Ukraine's recent call for a reconsideration of the Conventional Forces in Europe (CFE) treaty would not scupper the accord.

Mr Solana told Ukraine the CFE's "key points must be preserved".

Kiev took the lead last month in calling for lower force limits in southern Russia and the Transcaucasus than currently envisaged, as a safeguard against Russia increasing its land forces based in Ukraine's Crimean peninsula, Azerbaijan, Georgia and Moldova - all with substantial Russian forces on their territories - backed the demand.

President Kuchma said his country felt confident its concerns would be taken into account before the accord came into force. "There is a guarantee that the new treaty will not allow an increase in foreign troop presence in Ukraine without its agreement," he said after meeting Mr Solana.

Revision of the CFE agreement will be on the agenda at an Organisation for Security and Co-operation in Europe meeting in Vienna next week.

Union hails employees' vote but sale of bankrupt plant now looks doubtful

Clabecq workers reject rescue plan

By Neil Buckley in Brussels

Workers at Forges de Clabecq, the bankrupt Belgian steelworks, have rejected a plan which might have allowed part of the business to be sold to a foreign buyer. Regional authorities say the decision is "suicide" for the plant.

Some 56 per cent of the 1,438 workers voted late on Tuesday to reject a plan negotiated over the past 10 days with the federal and

regional governments, local authorities and trade unions.

The package would have involved early retirement for 355 of the total workforce of 1,700, and would have placed the rest at the head of the list of creditors of the plant. This was dependent on their agreeing to sell the stock of finished products they have blockaded since Clabecq was declared bankrupt in January.

That might have cleared the way for a buyer to res-

cue part of the business, employing about 1,000 workers, although a further 350-400 jobs would probably have been lost. The Italo-Swiss steel company Duferco has expressed interest in rescuing part of the business on that basis.

However, Clabecq workers, headed by the leftwing union leader Mr Roberto D'Orazio, have consistently rejected any rescue that does not involve jobs for all the plant's workers. He had

called for a vote against the plan and hailed the result as a "victory for all workers".

Duferco said the vote compromised the plant's future, and it could not help "people who refuse to be helped".

Mr Robert Collignon, minister-president of the Walloon region, which owns 60 per cent of Clabecq, had warned that this would be "suicide" for the steelworks, and little chance of a rescue is now seen.

That could lead to a prolonged protest by the plant's workforce, who have already mounted a series of sometimes violent demonstrations in Belgium. They have found common cause with workers from Renault's assembly plant at Vilvoorde, north of Brussels, due to be closed in July with the loss of 3,100 jobs.

Clabecq was declared bankrupt after the European Commission in December rejected a Bfr1.5bn (\$42m) state aid package. The loss of all 1,700 jobs at the plant would be a severe blow for Wallonia, Belgium's French-speaking region, where some 800 employees are expected to be made redundant at steelmaker Usines Gustave Roel following the signing of an alliance with Hoogovens of the Netherlands.

Redundancies are also expected at Cockerill Sambre, Belgium's biggest steelmaker, in a restructuring plan following substantial losses last year.

Court raps Renault knuckles over closure

By David Buchanan in Paris

A French appeal court yesterday ordered Renault to consult its European works council before making any further move to close down its Vilvoorde car plant in Brussels. However, it did not challenge the closure itself.

Renault reacted by saying that it would summon a meeting of its European works council within 10 days, but that it would proceed with the Vilvoorde closure, "which continues to be an industrial and economic necessity".

Belgian trade unions drew encouragement from the ruling, however, in their fight to save the car plant. Renault announced in February that it would close the factory next July. "It already seems certain the closure cannot take place on this date," Mr Karel Gacoms, head of the Belgian FGTE metalworkers federation, said yesterday.

Mr Gacoms said he put some hope in the left winning the French parliamentary elections - to be held in two rounds on May 25 and June 1. Mr Lionel Jospin,

the French Socialist leader, has promised Belgian unions that if his party wins, it will direct the French state's representatives on the Renault board to vote to block the closure. But as a result of several privatisation operations, the French government now has only a 48 per cent stake in Renault.

Renault decided to shut down the relatively modern Vilvoorde plant, with the loss of 3,100 jobs there, as part of its latest restructuring plan to stem growing losses. But its abrupt move has led to stoppages at the factory and to

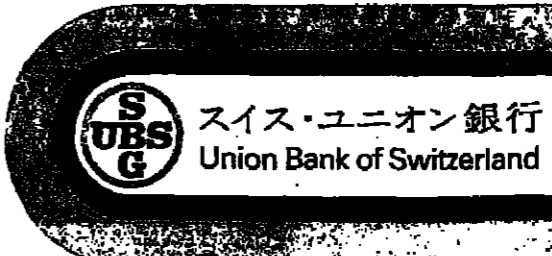
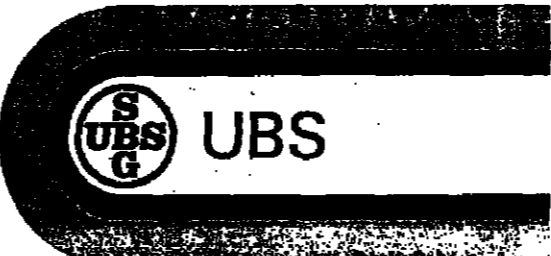
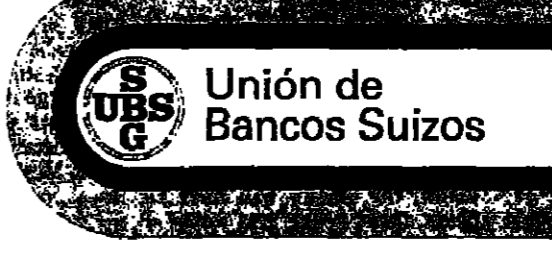
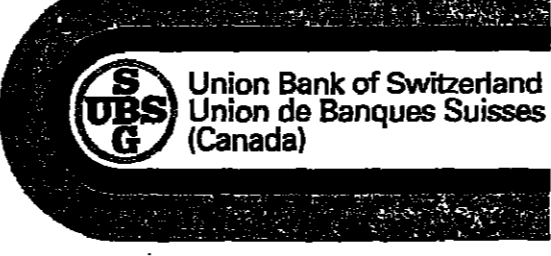
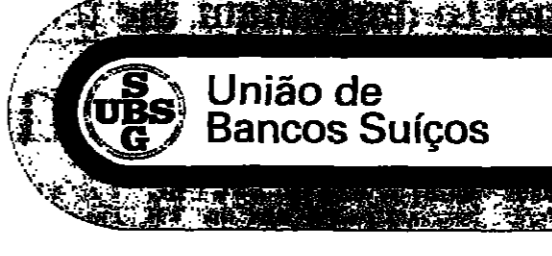
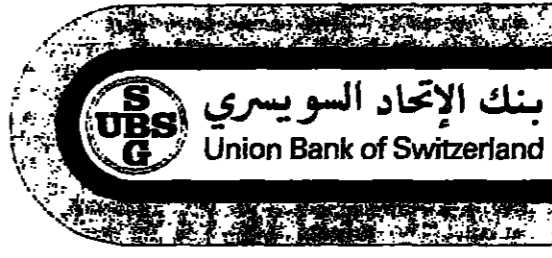
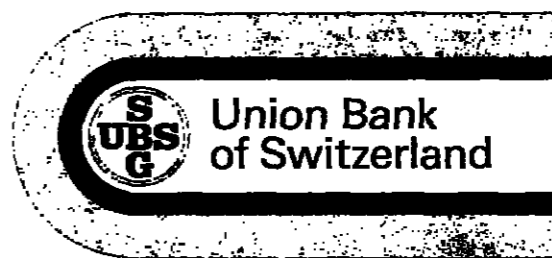
widespread criticism, from the European Commission among others, that the French car company has infringed national and European labour laws.

Modifying an earlier lower court decision last month, the Versailles Appeals Court said yesterday that Renault had to take steps to ensure that its action at Vilvoorde had at least "a minimum of flexibility or meets the minimum of acceptance or comprehension necessary for the regulation of cross-border labour issues". Therefore, Renault should call a meeting of

its European works council, giving worker representatives at least a week beforehand to study "all the documents relevant to the motives for, and repercussions of, the closure of the factory".

Taking a fairly tough line yesterday, Mr Georges Bouverot, the Renault personnel director, acknowledged the car group accepted that "our initial information [to the workforce] has been judged insufficient" and that it would now remedy this. But it was essential the closure went ahead this summer.

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NEWS: THE AMERICAS

US wage rises mar productivity gains

By Gerard Baker
in Washington

A sharp increase in US wages pushed up unit labour costs in the first three months of the year, overshadowing news that workers' productivity grew at its fastest rate for more than three years.

Unit labour costs in the non-farm business sector rose at a seasonally adjusted annual rate of 2.7 per cent in the first quarter, up from a 2.5 per cent rate in the previ-

ous three months, the Labor Department said yesterday. The main factor behind the rise was a 4.7 per cent leap in hourly pay, the largest increase for five years.

Part of the pay increase was validated by improving productivity. Non-farm productivity, or output per hour, grew at a 3 per cent annual rate in the first quarter, almost double the rate recorded in the previous three months, and the best performance since the fourth quarter of 1993.

But the figures disappointed financial markets as they seemed to suggest that, contrary to evidence from other recent data, increasing tight labour markets in the US are pushing up wage costs and increasing the risk of an acceleration in inflation.

Last week the Labor Department reported that overall employment costs, including wages, salaries and benefits, rose at a modest 0.6 per cent in the first three months of the year,

indicating only limited pressure on employers' costs. But other figures published last week showed that unemployment now stands at 4.9 per cent of the labour force, its lowest in a generation, and fears are growing labour costs may be set to take off. Bond prices fell sharply as investors worried that the Federal Reserve might be forced to raise interest rates again at the next meeting of its open market committee on May 20.

Those fears were height-

ened by remarks by Mr Jack Guynn, president of the Atlanta Fed and a member of the open market committee. Speaking after publication of the figures, he said it was "absolutely critical" for the Fed to remain on top of inflationary pressures. "I don't think we're at the point where inflation is dead and we'll never see it again". Stock prices also fell. At 12.30pm, the Dow Jones Industrial Average was down 60 points at 7164.

Other figures yesterday

Clinton wins backing from Zedillo on trade

By Leslie Crawford
in Mexico City

Mexico yesterday gave President Bill Clinton its full backing to pursue a hemisphere-wide free trade accord as the US leader prepared to continue his first tour of Latin America and the Caribbean with stops in Costa Rica and Barbados.

Mr Clinton's visit marked the high point of Mr Ernesto Zedillo's beleaguered two-year presidency. Mr Clinton's praise for his host's "visionary and courageous" handling of Mexico's 1995 peso crisis allowed the Mexican president to bury the shame of the US-led financial bailout and recent drug corruption scandals.

Mr Clinton also addressed Mexico's unspoken yearning for a more equal partnership by underscoring the shared nature of problems such as drug trafficking and illegal

migration. When the two presidents addressed Mexican business leaders yesterday, the strongest applause came after Mr Clinton said the US sought a "peaceful, prosperous partnership with Mexico that is based on respect".

Mr Zedillo acknowledged his debt of gratitude to the US president by claiming: "Nobody has worked with more determination than Mr Clinton to foster respect, dialogue and understanding between our countries." He offered his support for a Free Trade Area of the Americas.

Both leaders celebrated their partnership in the North American Free Trade Agreement (Nafta), which Mexico joined in 1994. Such was the enthusiasm expressed for Nafta that bilateral trade during Mr Clinton's two-day visit appeared to grow by the hour. In successive speeches,

Mr Zedillo put the figure of total trade between Mexico and the US at \$140bn, then \$150bn, and finally "at almost \$160bn".

Mr Clinton, who must convince the US Congress of the benefits of Nafta in order to win fast-track authority to negotiate other free trade agreements, emphasised the importance of Nafta in safeguarding US jobs. US exports to Mexico, he said, had increased by 37 per cent since 1994.

Mr Bill Daley, the US secretary of commerce, told a meeting of US businessmen that 700,000 US jobs depended directly on US exports to Mexico.

Mr Andrés Manuel López Obrador, leader of the left-wing Revolutionary Democratic Party, gave Mr Clinton a different view of Nafta, saying it had accentuated the gap between rich and poor.



President Clinton at Mexico City's Monument to the Boy Heroes yesterday

High farce in Brazil mining sell-off

Latin America's biggest privatisation finally took place on Tuesday evening, a week later than scheduled, in scenes more appropriate to high farce than the sale of more than R\$3.34bn (US\$3.14bn) of shares in a mining company.

The first attempt at the auction of a controlling stake in the Companhia Vale do Rio Doce (CVRD) was interrupted after 15 minutes by an injunction. Officials at the Rio de Janeiro stock exchange hastily re-started the auction five minutes after the injunction was overturned. It was all over 10 minutes later.

However, while a tape of the national anthem was being played on the floor of the stock exchange, news of a fresh injunction began to filter through.

The delays, interruptions and confusion have been bad publicity for the Brazilian government, which had hoped to use the CVRD auction to kick-start Latin America's most ambitious privatisation programme, including the sale of the country's telecoms and electric energy industries by the end of next year.

Mr Alexandre Barros, a political consultant in Brasília, said the delay was

The new owner of Companhia Vale do Rio Doce (CVRD), a consortium led by Companhia Siderúrgica Nacional (CSN), Brazil's largest steel maker, said it would not break up the assets of the world's largest iron ore producer, Geoff Dyer reports from Rio de Janeiro.

Mr Benjamin Steinbruch, chairman of CSN, made the comments after the consortium he put together won the auction on Tuesday evening to buy a controlling stake in CVRD, the world's largest iron ore producer.

However, the privatisation was temporarily suspended because of an injunction issued shortly after the auc-

tion. Lawyers for the National Development Bank (BNDES), which is organising the privatisation, were yesterday appealing against the injunction, one of nearly 30 awarded in the last 10 days against the sale.

The lawyers will have to overturn the latest challenge before they receive any of the R\$3.34bn (US\$3.14bn) the consortium agreed to pay for a 41.7 per cent stake of voting shares in CVRD at R\$82 per share, a 20 per cent premium to the minimum price of R\$26.67.

CSN, itself privatised in 1993, is the largest shareholder in the consortium, with a 16.3 per cent stake in CVRD. The other members are NationsBank

of the US, Opportunity Asset Management, an investment fund, and four Brazilian pension funds, whose existing holdings in CVRD gives the consortium over 50 per cent of the voting shares. Genor, the South African mining company, has signed a "letter of intent" with the consortium which could allow it to enter at a later stage.

The CSN-led consortium outbid a rival group led by Anglo American of South Africa and Grupo Votorantim, the Brazilian conglomerate.

In public offerings later this year, the government plans to sell the rest of its shares in CVRD, which has a total value of around R\$15bn.

bound to have an impact on the government's other privatisation plans. "People will say that this could easily happen again with other sell-offs," he said.

But even though the sale was delayed by a week, some observers say the fact it happened at all is a landmark in the country's economic life. "This has been the final swan song of anti-privatisation nationalism," says Mr Winston Fritsch, chief executive of Kleinwort Benson in Brazil. "The process may look cumbersome but it is more democratic and more permanent than many other countries. If it happens, it is for good."

The CVRD and its supporters have inspired the sort of emotional resonance in Brazil that farmers have in France and the miners once did in the UK. Opposition to the sale united a coalition which included two former presidents, the country's catholic bishops and the landless farmers' movement.

The only other Brazilian state-owned company which has the same popular appeal is Petrobras, the oil and gas company, not on the privatisation schedule.

While some members of the business community have begun to talk about selling Petrobras as a realistic possibility, the events of the last week may well persuade the government other-

wise. The other planned privatisations will not be so unpopular because in most cases voters are also customers and the link between state-ownership and the quality of service is apparent.

The long waiting list for a new telephone line, the difficulty in placing calls in some cities and the series of power-cuts in the south of the country over the last month will make the sale of the telecoms network and electric energy system less problematic.

The privatisation of CVRD is not over. The government plans to sell the rest of its stake in the company's capital by the end of the year in a public offering to international and domestic investors.

Although the auction of a controlling stake was the central event in the process, the danger is that opponents of the sale have discovered that they can use the legal system to cause significant disruption. Around 130 legal challenges were lodged around the country, some in small towns and some timed just before the auction in order to create the maximum delay.

The legal manoeuvrings did not put off any of the consortium members, for whom the auction was a one-off chance to buy a control-

ling stake in a world-class rival. But for institutional investors, who are more fickle by nature, conflict in the courts could be a decisive factor. Any delays would also pose huge legal problems for the public offering, which will have a fixed timetable for book building and underwriting periods.

Lawyers expect the government to resort to the same method it used this week to get the auction to go ahead - asking the Supreme Tribunal of Justice, one of the country's highest courts, to judge on all the injunctions.

Government officials yesterday breathed a huge sigh of relief at getting the auction away, for further delays this week could have led it to be postponed for a couple of months.

Their supporters claim they have won an important victory, not just for privatisation, but also for the economic struggle to reign in the budget deficit and finance the growing trade deficit. However the government will also be examining what lessons can be learnt from what has been a bruising week.

Lex, Page 14
Geoff Dyer

AMERICAN NEWS DIGEST

Surinam scheme changes course

A pyramid-type investment venture in Surinam, which has attracted more capital than all the commercial banks in the South American republic of 400,000 people, has backed down from a promise to close and repay all depositors in full.

NV Roep, the company running the venture, instead said it would apply for a banking licence and cut its monthly interest payments from 10 per cent to 5 per cent, giving repayments to any depositors who asked. Local bankers suggested approval by the central bank was likely.

Over three years, Roep has attracted millions of dollars from local investors and from hundreds of Surinamese living in the Netherlands, who took suitcases of money to Paramaribo, the republic's capital, to invest in the venture.

Local bankers and the International Monetary Fund described it - and a related scheme, NV Johnwin - as a monetary time bomb, saying they feared social and political unrest similar to that in Albania when several pyramid ventures collapsed. Roep said the scheme had been adversely affected by "negative media reports." It said it had lost investors in recent months, and had been under pressure to make monthly interest payments of just over \$10m.

The Dutch foreign ministry, which warned in March of "economic catastrophe", said yesterday that commercial banks in Surinam were now refusing to extend credit for investments in Roep.

Mr Roep Ramtalsingh, Roep's manager, suggested last month that the scheme was more of a "Ponzi" than a pyramid. While pyramids demanded that each investor bring in new ones, his venture gave depositors their 10 per cent a month returns automatically, he said. Ponzi schemes, named after a US promoter in the 1920s, rely on the inflow of money from new investors to make payments to early ones.

Mr Otto Ezechiels, managing director of the central bank's banking department, had warned that the scheme could run out of new depositors, forcing it to halt payments, leading to its collapse.

The managers of Roep said they had invested money in "profitable ventures" but refused to say what these were. Carole James, Kingston and Clay Harris, London

Fresh row over Fujimori

President Alberto Fujimori's push for a third presidential term in the year 2000 has unleashed fresh political controversy. The ruling majority in Congress is to set up a commission to investigate four out of seven members of a theoretically autonomous constitutional tribunal, after they pronounced against the re-election initiative.

The commission has 30 days to report to congress and a "constitutional accusation" against the four could follow. Congress voted late last year to "re-interpret" the constitution in such a way as to enable President Fujimori to stand again for election in three years' time.

The 1993 constitution states that only one immediate re-election is permissible.

But the ruling majority argued his current five-year term is Mr Fujimori's first under that constitution, therefore another shot at the presidency in the year 2000 would count as a first re-election attempt.

Using unexpectedly strong language, the four members of the Tribunal have reacted angrily to what they call an unwarranted attack on their independence. Sally Bowen, Lima

Strong New York art sale

For the next ten days New York becomes the centre of the international art market, with major auctions of Impressionist, Modern and contemporary paintings and sculpture.

The season got off to a flying start on Tuesday evening when Sotheby's offered a modest sale of just 43 lots of contemporary art but saw 36 of them sell, for a total of \$15.32m.

There was strong demand for the works of abstract expressionist artists. "Crosstown" by Franz Kline sold above forecast for \$2.2m; Mark Rothko's "No 19" made the same price; and \$1.76m, below forecast, was paid for one of Willem de Kooning's "Untitled".

But the main surprise was the record prices achieved by the younger generation of artists. "Transsexuals (Decline)" a multimedia work involving sculpture and video, by 30 year old Mathew Barney sold for \$343,500, while "Untitled", a rubber casting by 34 year old British artist Rachel Whiteread, which looks like a discarded mattress, sold for \$167,500.

There was also a record for Jeff Koons - "Stacked sculpture", a wooden carving of five animals perched on top of each other made \$250,000. Most of the recent works were sent for sale to benefit the Boston Children's Heart Foundation, which is now almost \$2m richer from selling 11 items.

They had been bought by Dr Nadal-Ginard, a founder of the Foundation, who is currently in jail for defrauding it. Antony Thorncraft, London

The FCC's brief to implement the telecoms act and increase competition has made it the prey of '10,000' lobbyists

US regulator rings the changes in phone market

Mr Reed Hundt, chairman of the Federal Communications Commission, has been grappling with every ambitious regulator's dream job - and worst nightmare.

At the heart of the US's Telecommunications Act, passed 15 months ago today, was a provision for the end of the divisions that have separated the country's long-distance and local carriers. That, in turn, was meant to bring about a competitive free-for-all that would slash telecom costs and give the US a big push further down the road to becoming an information society.

But details of how that should be done were not laid out in the act: it has been up to Mr Hundt's

agency to turn the law's intention into reality. And that has brought down on his agency one of the biggest lobbying efforts to hit Washington for some time, as rival telephone companies, as well as groups representing residential and business telephone users, have set out to shape the \$170bn US telephone markets to their advantage.

No wonder the FCC chairman offered a facetious vote of thanks yesterday to "everyone who has been advocating... all 10,000". He added: "Our process has been the envy of the rest of the world." Before he can justify such a claim, the smoke will have to clear from what has been a highly political piece of rule-making.

At the bottom of FCC's latest moves, adopted in broad outline yesterday, is an attempt to achieve two different purposes. The first is to squeeze some of the so-called "access charges" out of the phone system. These payments, amounting in some estimates to more than \$20bn a year, are made by long-distance telephone companies to the local carriers, or Baby Bells, which carry the calls the last few miles to their destination.

A large chunk of these charges amounts to a subsidy paid by basic local phone service at a low level (typically, a flat \$15 a month in most US states). Mr Hundt, though, has had to find a way of eating into the cross-subsidy without making the politically catastrophic move of forcing into the cost of basic local residential telephone charges.

To add to this, Congress injected social engineering into the act, requiring the telecoms industry to provide money for a Universal Service fund. This is meant to subsidise low-income telephone users and people in thinly populated rural areas. It will also enable all the country's elementary and secondary schools, as well as libraries and rural hospitals, to be wired up to the Internet.

Not surprisingly, talk of reducing access charges has prompted complaints from the Baby Bells. And the burden of the Universal Service Fund has added to the

general complaints. "It is nothing more than a form of taxation," says Mr William Gaik, a telecommunications expert at Deloitte & Touche. "No matter who you please, you'll get people riled up."

It is not surprising, then, that Mr Hundt has probably chosen to do the least necessary to achieve the act's immediate goals. To pay for the new fund, the FCC has slapped a new per-line charge on businesses and homes that have more than one telephone line.

To balance this higher cost, though, it has called for an immediate \$1.7bn reduction in access charges in the 12 months from this July. Much of this will be passed straight to long-distance telephone customers, thanks to

an agreement by AT&T - no doubt to be followed by other long-distance companies - to hand over the savings it will make in the form of lower telephone rates.

This has at least in part pleased the long-distance companies. Lower bills should stimulate more calls, boosting their revenues; however, the bulk of the access charges will remain in the system, to disappear only gradually as real competition breaks out in local telephone markets.

The Baby Bells, on the other hand, were complaining loudly yesterday. "We believe they are taking the burden of the Universal Service fund off the long-distance companies and put-

ting it on the local customers," said BellSouth, which serves the South East region.

The damage to these companies is far less than it appears, however. The Bells will not sustain an instant \$1.7bn hit to their collective profits. Access charges would probably have fallen \$700m anyway, tied to productivity improvements at the Bells. And a change in the way access charges are assessed will help them recover some of the money.

More important, perhaps, is the FCC's decision to leave the access charge system largely in place - something that will reduce a concern that has hung over the Bells for some time.

Richard Waters

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Tokyo hopes to calm fears after nuclear accidents

US team to probe Japanese N-group

By Gwen Robinson in Tokyo

The Japanese government is poised to appoint Arthur Andersen, the US accounting and consultancy company, to conduct a management audit of the scandal-hit Power Reactor and Nuclear Fuel Development Corporation, known as Donen. The move to hire a foreign consultant is highly unusual - and reflects the extent of the crisis besetting the government's ambitious nuclear energy programme.

Following a recent string of nuclear accidents at facilities operated by Donen and disclosures of cover-ups and mismanagement, Mr Ryutaro Hashimoto, the prime minister, promised to bring in an "independent" party to assess Donen's future. He also hinted that the government might abolish the organisation altogether.

Arthur Andersen's office in Tokyo would not comment on its forthcoming probe of Donen, to be officially announced by the Japanese government later this week. But nuclear officials said the US company had been asked to examine all aspects of Donen's operations and structure, including its crisis management and communications systems.

Government officials said yesterday that a leading foreign consultant was required to reassure the public of the impartial nature of such a review.

Donen has been embroiled in a widening scandal over falsification of information and mishandling of emergency procedures since late 1995, when a massive leak of sodium coolant occurred at Donen's experimental fast-breeder reactor, Monju. It was subsequently revealed that Donen officials doctored videotapes of the accident, among other charges of incompetence and mismanagement.

But the government did not act against Donen until March this year, when a fire and explosion at its Tokaimura reprocessing plant exposed 37 workers to radiation and was labelled Japan's worst nuclear accident. The Science and Technology Agency, which is responsible for overseeing nuclear energy policy, filed criminal charges against Donen executives who admitted falsifying information about the Tokaimura accident.

At present, Donen is a pillar of Japan's large nuclear power industry, with control of functions ranging from uranium exploration and enrichment to research and reprocessing of spent nuclear fuel. The organisation has a staff of nearly 3,000 and annual budgets of around ¥300bn (\$1.8bn). It also receives substantial payments from electric power utilities for reprocessing spent nuclear fuel and other services.

Donen directly operates six of the most strategic nuclear power facilities among Japan's total of 52 nuclear plants, including an advanced thermal reactor. Four of the six facilities have been temporarily shut down following mishaps.

Election taxes Philippine reform

The Philippine comprehensive tax reform programme, dubbed the CTRP, is in danger of falling victim to election politics.

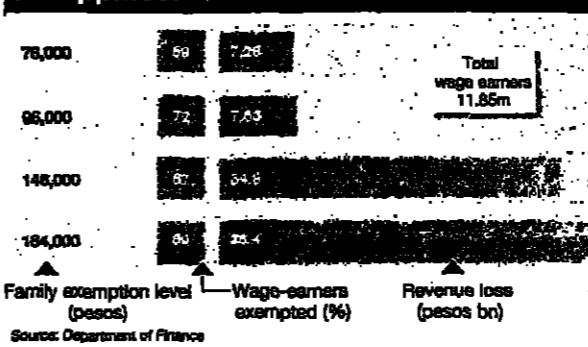
Last week, Mr Jose de Venecia, speaker of the House of Representatives and a leading candidate for presidential elections next year, announced that the lower chamber had approved the final portion of the CTRP, which deals with personal and corporate income taxation, tax incentives and tax administration.

He highlighted a maximum tax exemption level of 146,000 pesos (\$5,540) for a family of six, with a further tax credit taking that figure in effect to 166,000 pesos - and a ceiling of \$60,000 for overseas workers.

"This package of tax exemptions will benefit about 23m to 25m Filipinos, or more than one-third of the entire Philippine population," he proclaimed.

What he did not say was that the House had not even finished debating the bill and has yet to hand it over to the Senate. The tax legislation, centrepiece of reforms by the administration of President Fidel Ramos and the last remaining obstacle to graduating from IMF tutelage, has become a political football.

Philippines: tax reform



Ramos: last obstacle

become a political football.

The figures themselves disappointed some. Ms Nene Guevara, undersecretary of finance, calculates that 87 per cent of taxpayers would be exempted and 34.9bn pesos in revenue lost annually. This would not help a government seeking to ensure a dependable stream of revenues from an equitable tax base in the face of dwindling privatisation proceeds - the aim of the CTRP.

The department of finance argues its proposals for exemptions of up to 96,000 pesos per taxpayer already exclude those below the poverty threshold. With the higher levels supported by the House, "we may end up with a tax reform instead of a tax reform," it concludes. If Congress does not pass

the bill by June, says Ms Guevara, the country may have to wait until December as electioneering reaches fever pitch. Worse still, some observers believe, Mr Roberto de Ocampo, the finance secretary and another presidential aspirant, may also be tempted to make political capital out of the issue.

"I don't know of any other country in the world which would undertake tax legislation so close to a national election," says the chief executive of one of the country's largest banks. "It's asking for trouble."

With the IMF programme due to expire on June 23, Congress set to adjourn on June 5 and the Senate yet to begin reviewing the bill, prospects for its early signing into law now look increasingly unlikely.

The IMF programme, the country's 35th in 23 years, is a three-year \$684m credit facility, untouched after an initial drawing. Apart from being a critical measure in its own right - the revamped tax system will raise domestic savings which are among the lowest in the region and help ward off a return to fiscal deficits - there are other serious investment benefits from a timely completion of the programme, says Mr David Nellor, the IMF's representative in Manila.

"Passing of the CTRP on time would send a strong signal to international investors and the credit rating agencies that the Philippine reform programme is on track, after being derailed so

many times in the past," Mr Nellor said. "It is important for emerging economies, particularly the Philippines, to establish a strong track record because the markets still need to be convinced. Finally, it may also improve the prospects for a credit upgrade."

The Philippine Securities and Exchange Commission, the market watchdog, yesterday suggested a move to limit share price fluctuations, following recent volatility on the Manila exchange. The proposals include the suspension of trading in shares which rise more than 30 per cent in one day, blue chips falling more than 10 per cent, non-speculative shares by more than 15 per cent and speculative shares by more than 20 per cent. Shares are now suspended when they gain or lose 50 per cent in one trading session.

The SEC proposal follows the biggest market fall in 26 months last week which the authority blamed on "sensational but groundless reports of an impending collapse in the property market." The market fell 3 per cent yesterday to 2,694.4 points, following a 6.5 per cent rally on Monday and Tuesday.

Justin Marozzi

Quinn jailed in Australia

By Nikki Tait in Sydney

Mr Brian Quinn, chief executive of Coles Myer, Australia's largest retailer, until 1992 and a former board member of the Reserve Bank, was yesterday jailed for four years.

The 61-year-old businessman had been charged with defrauding Coles of A\$4.46m (US\$3.5m) over a six-year period - with most of the money being spent on lavish refurbishment of his home in Templestowe, in Melbourne's eastern suburbs.

It is the latest in a series of high-profile cases in Australia over alleged corporate fraud or theft, often involving events in the high-spending 1980s.

Prosecutions have had a mixed record: a case against Mr John Elliott, the prominent Melbourne businessman, collapsed last year, but Mr Alan Bond, the Perth-based entrepreneur, was successfully prosecuted in two separate fraud matters and is now serving a prison sentence.

In the course of the closely watched Quinn trial, the court was told of hundreds of thousands of dollars being expended on marble walls

and floors, and the replacement of window glass by bevel-edged glass. A wrought-iron bridge was constructed over a five-metre tiled swimming pool, along with a tennis pavilion and an eight-car garage.

The house was said to have an average of 30 people working on it each day between 1985 and 1988.

The crown prosecution alleged that Mr Quinn, who held the top job at Coles for five years and was also chairman of the retail giant between 1987 and 1991, had conspired with Mr Graham Lanyon, the company's former maintenance controller, to defraud Coles - in effect causing the retailer to pay for much of the work.

Mr Lanyon told the court that, when the Fraud Squad began to investigate, Mr Quinn had suggested destroying documents - although he also said he believed Mr Quinn "had every intention of paying the money back".

Mr Quinn, who had pleaded not guilty, has now repaid more than A\$3m to Coles. But Mr Justice Geoffrey Eames said yesterday that there was "no evidence of any remorse at all".

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ASIA-PACIFIC NEWS DIGEST

Mahathir plans two-month tour

Malaysia's prime minister Mahathir Mohamad, who will be overseas for two months from later this month, is expected to break with precedent and appoint Mr Anwar Ibrahim, deputy prime minister and finance minister, as acting prime minister in his absence.

Mr Mahathir's absence - he will visit several European countries - would rank as his longest period outside the country since he assumed his post in 1981. Mr Anwar's temporary elevation is significant because it confirms him as the leading candidate to succeed Dr Mahathir.

Malaysian officials dismissed speculation that Dr Mahathir's health may be worsening, saying that much of his time in Europe will be spent drumming up investment for the "multimedia super-corridor" - a project with which Malaysia hopes to leap into the information age.

James Kyrie, Kuala Lumpur

HK curbs may be scaled down

Hong Kong's government-in-waiting may soften its stance on proposals to tighten police powers over demonstrations and tougher regulations regarding political funding, according to a member of the post-colonial cabinet.

Mr Henry Tang, a businessman who will sit in the Executive Council after Hong Kong returns to Chinese sovereignty on July 1, said that some responses to the proposals, gathered during a three-week consultation period, were more liberal than the plans and were "worthy of our consideration". He signalled that new laws on public demonstrations might not differ markedly from existing legislation, and that limits on foreign funding for political parties could be restricted.

Plans to amend existing laws have emerged as a serious test for Mr Tung Chee-hwa, the shipping tycoon who will take over as the territory's post-colonial leader in July.

John Ridding, Hong Kong

Shanghai plans clean-up

Shanghai, one of the world's most populous cities, has launched a multi-billion dollar campaign to clean up the environment and restore its image as the "pearl of the east", according to its activist mayor, Mr Xu Kuangdi, a western-educated scientist, said the city - with a population of about 16m - would put \$1bn a year or 3 per cent of its gross domestic product into the clean-up campaign. Targets include the foul-smelling Suzhou creek, which flows into the Huangpu river on which Shanghai is situated. The World Bank is helping to fund attempts to "sanitize" the creek in a project expected to cost ¥20bn (\$2.41bn) over 15 years.

Tony Walker, Beijing

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NEWS: INTERNATIONAL

Internet chiefs fail to address the future

Louise Kehoe and Paul Taylor report on the growing row over regulating Web site titles

A month ago, the one millionth Internet web site address was registered by Bonny View Cottage Furniture of Potosi, Michigan.

This event did not make headlines, yet it is at the root of a growing international controversy over how best to accommodate the rapidly expanding numbers of businesses, organisations and individuals seeking addresses in cyberspace.

There are more and more conflicts among businesses and people wanting the same name and between companies and "hijackers" who register common brand names as Internet names and then offer to sell them to their "real" owners.

Meanwhile, finding distinctive names for web sites is becoming more and more difficult. Let's say, for example, that a Fred Thomas wanted to use his initials to designate his web site address. He would quickly find out that "FT.com" has already been claimed by this

newspaper. Similarly, France Telecom cannot use the common abbreviation of its name as a web site address.

The problem has been exacerbated by the emergence of prestige addresses in cyberspace. Each country has its own set of domain names. Thus a UK company can end its Web address with ".co.uk". Yet many businesses prefer the ".com" domain name that signifies an international business address.

In an attempt to subdivide cyberspace and create new, attractive addresses, members of the Internet Society, a group of veteran Internet technologists, together with the Internet Assigned Numbers Authority, came up with a plan for seven new Web "domains" or address suffixes and proposals for expanding the number of licensing authorities, or registrars, for Internet use, initially by 28.

These include "firm" for businesses, "store" for com-

panies selling products, "web" for general purpose web sites, "arts" for cultural sites, "info" for information services, ".nom" for individuals and ".rec" for recreational activities.

At a meeting in Geneva last week, hosted by the International Telecommunications Union, the UN agency, a self-appointed International Ad Hoc Committee (IAHC) announced broad support for its plan. Some 80 companies and organisations were behind it, the group said.

Mr Vinton Cerf, an Internet technology pioneer and now MCI's senior vice president, endorsed the plan, which he said would "modernise the domain name system... ensuring that the Internet's structure of self-governance catches up, and keeps pace, with its rapid commercial and technological advancement."

The new naming plan does not, however, have the support of the US government

or the European Union. The US has expressed concern about the authority of the ITU secretariat to act without authorisation by member governments.

The European Commission has expressed similar reservations. While endorsing the global debate on the matter, it has doubts about the IAHC's proposals and wants a full review.

It also feels Europe is under-represented in the IAHC.

Neither does the new domain name system have the full support of many Internet service providers (ISPs) - the companies that hook people and businesses to the Internet.

Since there is no central controlling body for the Internet, any changes require consensus. In particular, the support of ISPs is crucial. It is up to them to make the necessary changes in their systems to recognise new domain names. Although MCI

expressed its support for the plan, PSI Net, which carries about 15 per cent of Internet data traffic on its US "backbone" network, is firmly opposed to the new naming system.

Internet domain names are a "global public policy issue which requires considerable debate among all Internet stakeholders," said Mr William Schrader, PSI Net chief executive. "This should not be decided by a cloistered 11-member committee."

Netcom Communications, one of the leading US ISPs, is taking a "wait and see" attitude. If customers want these changes, Netcom will support them, said Mr Craig Clements, vice president of operations. He expressed concerns, nonetheless, about how the plan for 28 new registration centres would work.

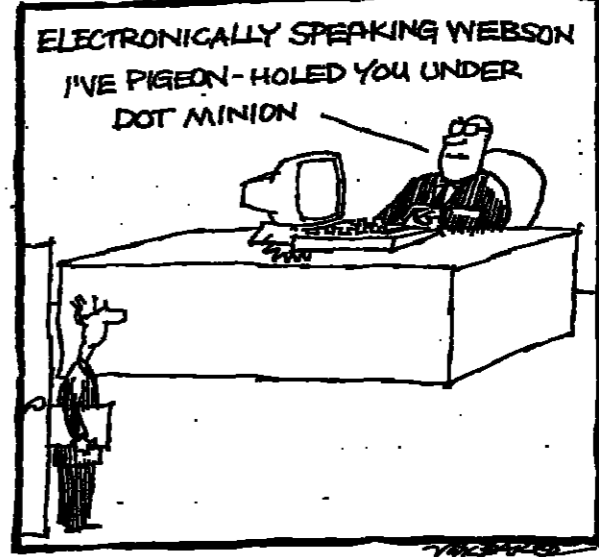
Among companies already established on the Internet, the prospect of new domain names is not altogether welcome. What if, for example, someone were to register

"ibm.firm" or "safe-way.store". Would these be confused with the genuine ".com" sites?

Users of the World Wide Web may well wonder how the proposed naming system will work out. Today, it is possible to guess the web site address of many companies by simply affixing the ".com" suffix. Adding more domain names would only confuse matters.

The push for change seems to have been prompted by dissatisfaction with the system for registering new Web site names. Network Solutions, a US company, was awarded the contract to oversee registrations for so-called "top level" domain names several years ago by the US National Science Foundation, which originally handled registrations.

Since then the company has imposed registration fees, and has been forced to arbitrate in more and more disputes over domain names. Under the Geneva propos-



als. Network Solution's monopoly would be ended and a worldwide network of registrars - initially 28 but with more to follow - would be authorised to register top level Internet domain names. The registrars will compete with each other, driving down registration costs.

The initial limit of 28 was imposed to ensure that the number of registrars would be a workable team for

developing technical and operational details.

In several other areas, such as the control of hard core pornography and racist content on the Internet, would be legislators have found that the Internet is a difficult and unwieldy beast to tame.

Now it seems that even an apparently innocuous attempt to provide more Internet addresses could founder.

French to press Mobutu to quit

By Michela Wrong in Kinshasa

There were jeers and cheers from residents of Kinshasa yesterday as President Mobutu Sese Seko flew out to attend an impromptu summit in Gabon. But while members of the country's elite packed their bags and headed out, there was no sign the president intended to follow.

Aides insisted the president, whose heavily guarded motorcade was booed as it drove through an opposition stronghold to the airport, would return either today or on Friday from his meeting in Libreville with Franco-phone African leaders.

But international negotiators hope the French government, which has re-entered

the diplomatic fray since the collapse of a South African and US-sponsored attempt to arrange peace between Mr Mobutu and rebels marching on Kinshasa, can use its influence at the meeting to press the president to resign.

"This is a Francophone lobby group and the French are now trying to do their bit," said a Kinshasa-based diplomat. "France should be calling the shots at the meeting."

Zeirean opposition newspapers put a darker interpretation on the unexpected summit, predicting an intransigent Mr Mobutu would ask his allies for weapons and troops to beat back the Alliance of Democratic Forces for the Liberation of Congo (AFDL), which has Kinshasa in its sights

after capturing three quarters of the country.

Military analysts said that claims the rebels were within striking distance of Kinshasa's airport were exaggerated and that the real battlefront remained at Kenge, 200km to the east. They said elite troops had been sent to hold the bridge over the Kwango river but were outnumbered by rebels.

But the rebel propaganda has succeeded in creating a *fin-de-siècle* mood of panic in the capital. The lobby of the Hotel Intercontinental, a magnet for members of Mobutu's clique, was yesterday full of well dressed families waiting with their bodyguards for the airport bus.

Recent VIP departures include General Kpama Kata Baramoto, the president's



WAY OUT: Mobutu's motorcade en route to the airport yesterday was met by boos from bystanders

brother-in-law. Military analysts said the former army chief of staff and head of the Garde Civile was not expected to return from exile.

But leaving Kinshasa has become increasingly cumbersome since western airlines

on Tuesday decided to stop flying to the capital because of the risk of being either targeted by approaching reb-

els or hijacked by fleeing troops. Passengers are now shuttling across the river to join flights in Brazzaville.

Arafat, Weizman closer on security

By Judy Dempsey in Jerusalem

President Ezer Weizman of Israel and Mr Yasser Arafat, the Palestinian leader, have made the first tentative steps towards renewing security co-operation, which was suspended in March following Israel's decision to build a new Jewish settlement at Har Homa in south-east Jerusalem.

Although no agreed date has been fixed to resume co-operation, officials said the meeting could help rebuild confidence between both sides. This is a task Mr Dennis Ross, the US special envoy, has set himself in separate meetings with Mr Benjamin Netanyahu, Israeli prime minister, and Mr Arafat after his return to the region last night.

The resumption of security co-operation, which entails sharing intelligence, is seen by the Israeli military as a crucial element for saving the peace process. Officials said the security co-operation between Israel and the Palestinians had "tended to zero" since March, adding it reflected the lack of confidence between both sides. "That will undermine the entire process if a way cannot be found to resume the co-operation," he said.

In a bid to fill the security vacuum, the CIA has been more active in Israel since March but Israeli officials would not confirm if it was acting as a conduit for passing on information from the Palestinian-ruled areas of the West Bank and Gaza to Israeli intelligence.

"It is known that Israel and the US exchange information on a whole series of things, including possible terrorist attacks and on the understanding that the information does not go in any other direction," an Israeli official said. Military officials would not specify what kind of intelligence the CIA was gathering.

US to send observers to Algerian election

By Roula Khalaf in London

The US government is to send observers to monitor Algeria's elections next month even though other western countries seem reluctant to do so.

Algeria has asked 40 countries to send observers, in addition to a team from the Arab League and the Organisation of African Unity. The observers are to work under a six-member United Nations co-ordinating team. They will issue two reports, one on the electoral campaign starting on May 16 and the other on the conduct of the vote on June 5.

The presence of credible observers, and in numbers that allow them to monitor the poll throughout the country, will put pressure on the Algerian government to maintain transparency in the election. A UN team now in Algiers has already asked for changes that will make it

harder to tamper with results.

The Algerian government is expecting at least 100 observers, on top of the Arab League and OAU participants. Canada and Sweden are said to be willing to send monitors.

But although western governments have repeatedly called on Algeria to hold a transparent election, many countries have not yet agreed to take part. Discussions on observers are continuing within the European Union but most members, including France, the former colonial power, are leaning towards abstaining.

While some governments fear for the security of observers, others want to avoid rubber stamping an election they consider to be part of a rigged process. The elections are being held more than five years after the army cancelled an election which the Islamic Salva-

tion Front (Fis) was on its way to winning. Since 1992, an estimated 60,000 people have died in the battle between Islamic militants and security forces. The Fis is banned and excluded from this year's elections. And, in a constitutional referendum last November which the legal opposition said had been rigged, the army-backed government had reduced the powers of the general assembly and boosting those of the president.

The US believes that a fair and open poll will, in spite of the shortcomings of the political system, give a voice to people outside the old power structure and may open the door to a long-term resolution of the conflict. A rigged election, on the other hand, would lead Algeria to long-term catastrophe because it would effectively close off the idea of any legitimate opposition, not only Islamist.

Nigeria bombers strike again

By Antony Goldman in Lagos

Unidentified bombers yesterday struck at a military target in Lagos, Nigeria's commercial capital, in the fifth such attack since December.

Colonel Godwin Ugbo, a defence spokesman, said five soldiers had been injured in the blast, none of them seriously.

Eyewitnesses, however, spoke of panic, as what appears to have been a

remote control device detonated just as an army bus passed the barracks.

The authorities arrested four people at the scene of the incident. No group has claimed responsibility but, in March, 15 prominent opponents of General Sani Abacha's government were charged with treason in connection with a spate of bombings stretching back to 1995.

The National Democratic Coalition (Nadeco) and other groups have denied any

involvement in the violence, saying they wished to see change in Nigeria by peaceful, democratic means.

They say they are being used as a scapegoat to mask the government's failure to catch the real perpetrators of the violence.

Army transport vehicles in rush-hour traffic have been the targets of all the attacks since December. On each occasion casualty figures have been relatively light, prompting speculation about the bombers' motives.

This includes a theory that there are rogue elements in the military intent on spilling plans to return the country to civilian rule by October next year, or that there is a high-level conspiracy to stem disunity within the elite as the transition gathers pace.

Some observers also point the finger at officers alleged to be unhappy over their recent retirement.

Government ministers insist hostile, foreign powers are involved.

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Condensed Financial Statements
Prepared under International Accounting Standards
for fiscal years ended December 31, 1996 and 1995
(in millions of Greek Drachmae)

BALANCE SHEETS

| Assets | 1996 | 1995 | Liabilities & Shareholders' Investment | 1996 | 1995 |
|----------------------------------------|-----------|-----------|-----------------------------------------------------------|-----------|-----------|
| Fixed Assets | | | | | |
| Property and equipment | 1,436,254 | 1,325,658 | Shareholders' Investment | | |
| Less Depreciation | (580,657) | (494,999) | Capital | 316,499 | 298,488 |
| | 855,597 | 830,659 | Paid-in-surplus | 74,601 | 0 |
| Investments | 86,961 | 27,800 | Legal reserve | 36,753 | 29,356 |
| Deferred taxes | 59,605 | 53,300 | Retained earnings | 189,743 | 101,294 |
| Other non current assets | 30,354 | 19,951 | | 617,596 | 429,135 |
| Current Assets | | | Subsidies, net of amortization | 111,036 | 108,615 |
| Accounts receivable | 193,651 | 147,590 | Long-term debt | 120,972 | 123,783 |
| Materials and supplies | 10,728 | 8,328 | Reserves for staff retirement and other employee benefits | 153,145 | 138,591 |
| Due from State (principal shareholder) | 13,358 | 0 | Other long-term liabilities | 23,941 | 24,379 |
| Other current assets | 41,089 | 37,798 | Current Liabilities | | |
| | 268,826 | 193,716 | Bank loans and overdrafts | 25,492 | 99,726 |
| | 1,291,343 | 1,125,426 | Accounts payable | 41,510 | 47,709 |
| | | | Income taxes payable | 59,828 | 44,069 |
| | | | Dividends | 76,139 | 43,860 |
| | | | Other current liabilities | 61,684 | 65,556 |
| | | | | 264,653 | 300,920 |
| | | | | 1,291,343 | 1,125,426 |

STATEMENT OF OPERATIONS

| | 1996 | 1995 |
|----------------------------|-----------|-----------|
| Operating revenues | 679,484 | 593,033 |
| Operating expenses | (405,883) | (356,062) |
| | 273,601 | 236,971 |
| Financial net | (2,730) | (17,205) |
| Other net | (5,934) | 609 |
| Profit before income taxes | 264,937 | 220,375 |
| Income taxes | (93,131) | (81,610) |
| Net profit | 171,806 | 138,765 |

MOVEMENT IN SHAREHOLDERS' INVESTMENT

| | 1996 | 1995 |
|-------------------------------------------------|----------|----------|
| Shareholders' Investment, January 1 | 429,136 | 345,233 |
| Net profit for the year | 171,806 | 138,765 |
| Capital Increase | 18,011 | 0 |
| Paid-in surplus, net of share issuance expenses | 74,601 | 0 |
| Dividends | (75,960) | (54,860) |
| Shareholders' Investment, December 31 | 617,596 | 429,138 |

Note: OTE prepares and publishes financial statements in accordance with both Greek Statutory requirements and international Accounting Standards (IAS). The major differences between Statutory and IAS financial statements relate to the accounting of (a) deferred staff retirement and other employee benefits, (b) subsidies for fixed asset acquisitions, (c) compulsory revaluation of fixed assets and (d) deferred income taxes. The above financial statements have been audited by independent public accountants, whose report thereon includes an exception, as the development of OTE's fixed asset register for telecommunication equipment and installations has not yet been completed. The finalisation of the aforementioned register is in its final stages.

The Chairman of the Board of Directors
D. Papoulas

The Managing Director
P. Lambrou

The Director General Finance
Ch. Kazantzis

The Director of Financial Services
J. Kartsonas

HELLENIC TELECOMMUNICATIONS ORGANISATION SA THE SHAREHOLDERS OF THE HELLENIC TELECOMMUNICATIONS ORGANISATION S.A.

(REGISTRATION NUMBER 347/06/B/86/10) ARE HEREBY INVITED TO THE
45TH ORDINARY GENERAL ASSEMBLY (FISCAL YEAR 1/1/1996-31/12/1996)

Pursuant to the Law and the Company's Articles of Association Charter and following Resolution no 2507 of the Board of Directors, taken on 7/5/1997, the Shareholders of the Hellenic Telecommunications Organisation S.A. are hereby invited to the 45th Ordinary General Assembly, to be held on Thursday, 29/5/1997, at 12.00 hours, at Holiday Inn Hotel, 50 Michalacopoulou Street, Athens) to discuss and debate upon the following:

1. Presentation of the Management Report drafted by the Managing Director and Audit Reports compiled by the Chartered Auditors and the Auditor of international repute, in respect to the annual financial statements of the fiscal year 1996 financial statements including the financial statements compiled in accordance with the International Accounting Standards.
2. Approval of financial statements and reports for the fiscal year 1996.
3. Approval of profit allocation.
4. Acquittal of the Board of Directors and Auditors from any compensation liability for the fiscal year 1996, pursuant to Codified Law 2190/1920.
5. Approval of remuneration paid to the members of the Board of Directors and determination of their remuneration's form.
6. Approval of remuneration paid to the Chairman of the Board of Directors and the Managing Director and determination of their remuneration.
7. Appointments of Chartered Auditors (two principal and two deputy auditors) and one auditor of international repute for the fiscal year 1997, pursuant to the provisions of Law 2257/94 and determination of their fee.
8. Miscellaneous announcements.

In order to participate in person or by proxy, in the said General Assembly, Shareholders shall, in conformance with the Law and the Company's Article of Association, deposit their share certificates with any Bank in Greece or abroad; the Consignations and Loans Fund or OTE's Treasury (99 Kifissias Ave. Maroussi), at least five (5) full days before the appointed date for the General Assembly namely by 29/5/1997. By the same deadline, Shareholders must have also deposited the Share Depositary Receipts as well as the proxy forms with OTE's Share Registrations Office, at 15 Stadiou Street, Athens.

By authorisation of the Board of Directors

D. Papoulas
Chairman

Athens, 7-5-1997

Arafat,
Weizman
closer on
security

e again

NEWS: WORLD TRADE

'Mayday' call over bulk carrier safety

Hundreds of 'forgotten seafarers' have died, but there is no consensus on how to reduce risks

Bulk cargo ships which carry ore, coal and grain around the world sink quickly if they take in water. Because they carry such heavy loads, they can go down in seconds - often before the crew can even send out a "mayday" distress call.

The crews lost this way from dry bulk carriers - 561 seafarers in the past 6 1/2 years - tend to be the "forgotten seafarers" of merchant shipping, working under little-known flags and plying between distant and exotic ports.

But, though their crews may be invisible to most people, the world fleet of 4,600 dry bulkers are the workhorses of the maritime world. And maritime safety experts are trying to reduce their alarmingly high losses, which are worse than in any other category of shipping.

The industry is trying to reach some agreement ahead of a meeting in London this month of the maritime safety committee of the International Maritime Organisation (IMO), the United Nations shipping agency. The eight-day meeting starts on May 28, but the portents are not good.

"These ships tend to fly

strange flags, have foreign crews and operate far away from ports and across seas whose names mean nothing to the average person," says Mr William O'Neill, IMO general secretary. "Why should we expect that person to care when one of them disappears?"

The problem has puzzled the international shipping community for the past decade. Rapid increases in the size of these vessels has raised questions about their design, while rough treatment when they are being loaded and unloaded in port places heavy strains on their steel frames.

But, partly because of the lack of public pressure for safety improvements, finding a solution has been tricky - creating friction between regulators, shipowners and technical experts.

If this month's maritime safety committee meeting can reach agreement, it will make recommendations to the IMO's full assembly in November.

But there is likely to be hard bargaining before then. Opposition from the Greek government, representing the world's largest shipowning community, and others

prevented agreement being reached last year. And even countries which are broadly in favour, such as Japan, are continuing to argue over technical issues.

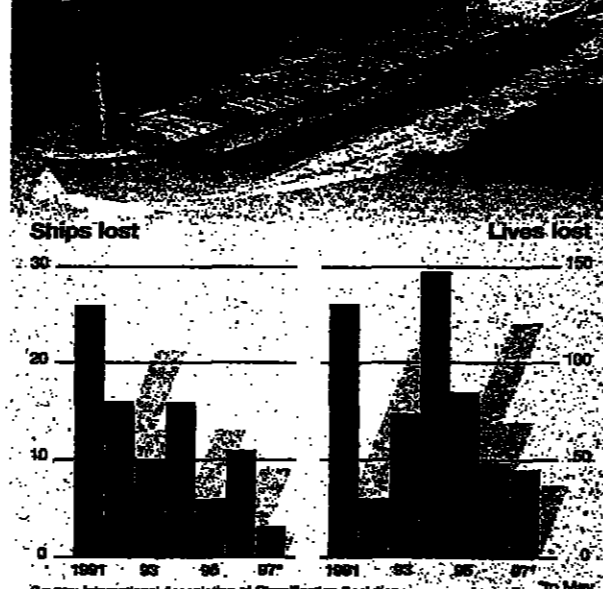
Intercargo, the International Association of Dry Cargo Shipowners, has been cautious about proposals for change, pointing out the need for measures which are both practical and commercially acceptable.

Temper have been roused by what some in the industry regard as precipitate action by the classification societies - such organisations as Lloyd's Register - whose experts regularly survey vessels for their seaworthiness.

The International Association of Classification Societies, which groups the 13 largest, unveiled proposals in December to strengthen the bulkhead or partition dividing the first and second holds on dry bulk carriers. The association's research had found that if seawater penetrated the first hold, the bulkhead could collapse and the vessel could founder very quickly.

This annoyed the shipowners, who claimed they were not consulted and complained that the association

Those at peril on the sea: dry bulk carriers



had failed to produce any costings for its plans. Some feared the costs could run into millions of dollars for each ship. The societies have since calculated the cost should be between \$75,000 and \$300,000 per vessel.

"What really got the industry cross was that we put this out in a hurry," says Mr James Ball, the association's permanent secretary. "But we had been asked to clarify the position and we thought we had better do something fast."

The classification societies had already introduced a more rigorous method of

inspecting dry bulk carriers, known as the enhanced survey programme, in 1993. Until February this appeared to be working because no ship which had undergone such a survey had been lost.

But earlier this year disaster struck. Within a few days of each other two bulk carriers, the *Lacoste* and *Albion Two*, both of which had undergone enhanced surveys, went down with the loss of 45 lives. This has strengthened the case for structural improvements to dry bulkers.

Although the cost per vessel may not appear large, shipowners are reluctant to spend on a sector where freight rates are under pressure. Intercargo had been forecasting a slight improvement this year but rates have fallen by a fifth over the past two months and expectations for the year are now more restrained.

How the shipping industry resolves the problem of bulk carrier losses will be a measure not only of its approach to the well-being of employees but also of its collective ability to negotiate and implement safety improvements.

Charles Batchelor

Vietnam in \$3.5bn plan for telecoms

By Jeremy Grant in Hanoi

Vietnam needs investment of \$3.5bn to develop its telecom infrastructure and says it is willing to share revenue with foreign companies to help finance the ambitious programme.

Mr Dang Dinh Lam, director general of state-owned Vietnam Post & Telecommunications (VNPT), said about 60 per cent of the funds needed would come from "international resources," primarily foreign investment, foreign bank loans and the issue of a bond on the international capital market.

However, bankers and economists say Hanoi will be hard pressed to meet its targets, given scarce local funds and the reluctance of foreign banks to lend large sums to VNPT until it makes its balance sheet public.

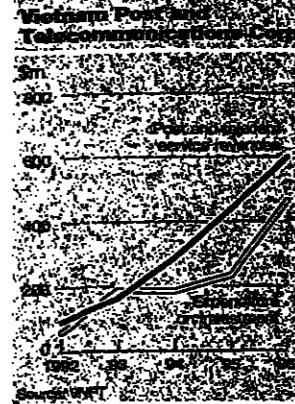
Nevertheless, Vietnam has emerged as one of the most promising telecom markets in south-east Asia, attracting scores of operators and equipment suppliers.

The plan calls for the number of telephones to be raised from 1.5 per 100 people to five or six per 100 by 2000 through the installation of fixed line and wireless local loop networks.

About \$1.8bn of the foreign funding planned is already accounted for under four contracts to install 900,000 land-based telephone lines in Ho Chi Minh City and Hanoi.

They are expected to be approved by the VNPT board this week and involve Telstra of Australia, France Telecom, NTT International of Japan and Cable and Wireless of the UK.

Mr Lam would not say what size of bond VNPT was considering, but Vietnamcom, the country's biggest state-owned bank, is working on a \$50m issue. Bankers say VNPT's is likely to be roughly that size and would come once Vietnam had made a debut sovereign



issue, expected in early 1998. In addition, between \$120m and \$150m would come from government development aid, mostly from Japan and France, to be used for rural telecoms.

Preparations were also being made for the launch of Vietnam's first satellite, a \$100m project in which US companies Hughes and Loral Space Systems, Matra Space and Alcatel of France and Japan's NEC are interested.

VNPT has so far relied largely on supplier credits to finance expansion, resulting in the acquisition of many types of often incompatible equipment. Mr Lam said VNPT planned to clamp down on such haphazard sourcing. That would draw VNPT away from supplier credits and create emphasis on foreign bank financing.

However, bankers say VNPT must disclose financial information before any significant sums are granted. A culture of secrecy pervades all state-owned enterprises in Vietnam.

"People would be prepared to lend them figures of up to \$25m, but when it's \$50m or more, that becomes a problem," said one foreign telecoms company.

Foreign companies are also keen to see how VNPT plans to tackle market opening issues once Vietnam joins the World Trade Organisation.

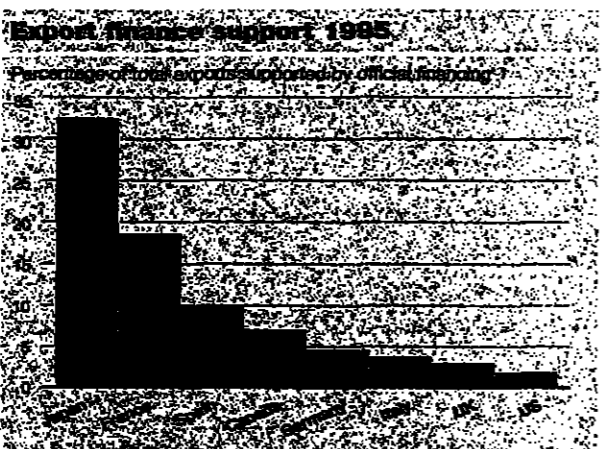
Eximbank and Opic face survival test in US

By Nancy Dume in Washington

The US Export-Import Bank, which finances foreign sales, and the Overseas Private Investment Corporation (Opic), which provides investment insurance and guarantees, today face an important hurdle in their battle for survival.

A House of Representatives banking subcommittee is to draw up legislation, proposed by the Clinton administration, to re-authorise Eximbank for four more years and Opic for three.

The chances of the two institutions winning reauthorisation are improving following efforts by US business the efforts which have produced a substantial



change in opinion," according to a leader of the business lobby.

"Our biggest problem has

been not the opposition but lack of information," said Mr Edmund Rice, executive director of the Coalition for

Employment through Exports, which includes leading businesses.

But armed with new data about export-dependent companies in congressmen's home districts, the lobbyists say they have begun to convert both Eximbank and Opic opponents and fence-sitters.

Earlier this year Eximbank and Opic became the targets of an unlikely coalition of liberal Democrats and Republican conservatives committed to reducing government involvement in business.

Led by Mr John Kasich, the Republican head of the House budget committee, the coalition put Opic high on the hit-list of a "dirty dozen" federal programmes accused

of providing "welfare" - unnecessary government subsidies that distort investment decisions - for big corporations.

However, two recent reports have helped turn the tide in stating the case for retaining the agency and Eximbank. One report, released by the Economic Strategy Institute, a Washington-based think tank, disputed the notion that Eximbank duplicates private sector activities at taxpayers' expense.

Eximbank's primary functions are "to neutralise aggressive, foreign, export credit subsidies and to furnish prudent export financing when private funds are not available," it says.

Removing the agency from

the US "trade arsenal" might save \$800m in the short-term. But it could cost the US government \$24m a year, through the loss of tax revenue generated by Eximbank-financed sales.

Another report, released yesterday by the National Association of Manufacturers (NAM), said the US provided the least official export credit of any industrialised country. Japan provides 10 times more support; France six times more.

"Pricing for investment insurance offered by Opic often ranges between two to four times as much as that being offered by similar agencies in Japan, Germany, France and Britain," the NAM report said.

Targeting the little man in Kazakhstan

By Charles Clover in Almaty

Last year, Abilkhon Samatdin, a fruit juice merchant in Kazakhstan, was finding life as a small businessman very hard. For the past year his company, Parast-Samex, had been charged exorbitant fees by the local state-owned processing factory to turn imported concentrate into juice. Mr Samatdin wanted to set up his own factory, but lacked the finance and expertise to do so.

Then last July, along came Mr Gerald Kelly, a volunteer retired business executive, with a firm handshake, a commitment to the small businessman and an unusually precise knowledge of food processing machinery.

Mr Kelly came to Kazakhstan under the umbrella of the International Executive Service Corps, an organisation funded by the US Agency for International Development (USAID), which sends volunteer retired executives to developing countries to spread the gospel of western business practices.

Mr Kelly's arrival resulted from a shift in thinking by development economists throughout the world towards SMEs, or small and medium enterprises. As the tide turned in favour of these enterprises, central Asia became a magnet for hundreds of millions of dollars designated for companies like Parast-Samex.

The Asian Development Bank announced a \$100m programme last year in Kazakhstan, the European Bank for Reconstruction and Development in February granted a \$120m facility to Uzbekistan for SME lending. In addition, USAID also funds several projects with the same goal, such as the Central-Asian American Enterprise Fund which has investments in 75 businesses in Central Asia.

"Small business creates GNP, but it also creates hope, jobs, and the confidence to build democracy," said Mr Kelly who spent most of his career in the far east as an executive for Beatrice Foods.

The first thing Mr Kelly and Mr Samatdin did was to put together a business plan, outlining the goal of importing high-tech Swedish equipment to make top-quality fruit juices. "We made up 10 copies of it and went fishing," said Mr Samatdin. At first, there weren't many bites: Kazakhstan's banking system is in turmoil as a result of payment arrears that total half of the country's gross domestic product. "No one makes enterprise loans any more, the banks here only do trade finance and currency speculation," said one western economist.

Then an announcement appeared in the local business newspaper to broadcast that the first tranche of the \$100m ADB loan targeted at small businesses was being disbursed.

"I said to my secretary: 'Get me a list of the surnames of all the people in the credit department at Eximbank,'" said Mr Samatdin, referring to one of the local banks through which the ADB credits were to be granted. A few months later, a \$1.35m loan was signed, which, together with some financing from Tetra Pak, the equipment manufacturer, was enough to buy a building and equipment to produce 10,000 litres per day of fruit juice.

The macro-economic aspect of interest in SMEs stems from a new attention to the concept of scale, after it became apparent from Russia's experience that privatisation alone would not create a competitive market. Many Russian state-owned monopolies were privatised whole, and remain monopolies, one reason why prices in Russia are among the world's highest.

"The small and medium enterprise sector is completely missing in Central Asia as well as the rest of the CIS," said Mr Charles Coe of the ADB. He stressed the importance of the sector because in a typical western country, half the GDP is generated by SMEs, which also form the basis of another western phenomenon: a middle class.

WORLD TRADE NEWS DIGEST

Tax hits car sales in Japan

A rise in Japan's consumption tax hit sales of imported cars in April, the first decline for four months, the Japan Automobile Importers' Association (JAlA) said.

Sales of imported cars fell 36 per cent in April, following a sharp increase in March before the anticipated tax rise from 3 per cent to 5 per cent. Sales of domestically produced vehicles fell for the same reason, but the decline was far less steep at 13 per cent. The JAlA said imported cars suffered more because of their higher prices.

April also saw the first decline in foreign car imports, excluding those made by Japanese transplants, since 1993. Overall vehicle imports from the US declined 47 per cent while those from Germany fell 29 per cent.

The JAlA is forecasting a rise in vehicle imports of just under 5 per cent in the full year. However, fierce competition between Japanese carmakers, price reductions, a surge in the production of recreational models and the weaker yen are fuelling concerns that imported cars could suffer a decline in sales for the full year.

Michio Nakamoto, Tokyo

UK backing for China bridge

Britain's Export Credits Guarantee Department (ECGD), its export credit agency, said yesterday it would back a contract won by Kvaerner Cleveland Bridge to build a bridge over the Yangtze river in China. The Jiangyin Suspension Bridge, near Nanjing in Jiangsu Province, will be China's longest bridge and the fourth longest in the world.

The ECGD will guarantee a loan of \$89.3m to China Construction Bank to finance the project. The loan is being arranged by BZW, Barclays Bank's investment banking arm, along with the Bank of China, Société Générale, and the Standard Chartered Bank.

Britain's Overseas Development Administration is also making a grant to support project management, training, environmental and social studies, and monitoring. The project involves designing and erecting the superstructure for a six-lane steel suspension bridge with a span of 1,385 metres.

Foreign Staff, London

Balfour wins power line deal

Balfour Beatty, the construction arm of the BICC group, said yesterday it had won a \$76m (\$121m) contract with the Indonesian electricity utility PLN to design and install overhead transmission lines. The 400km-long lines will be built in two sections and will run from a power station under construction at Paton to Kediri and Klaten.

The work will start soon and is scheduled to finish in 22 months. The World Bank will fund the contract. Balfour Beatty, a Jakarta-based joint venture between Balfour Beatty and a local contractor, will take charge of the construction and administration. Balfour Kilpatrick, a subsidiary of Balfour Beatty, will manage the project and provide technical support.

Balfour Beatty said the venture reflected a continuing strategy to win non-UK contracts.

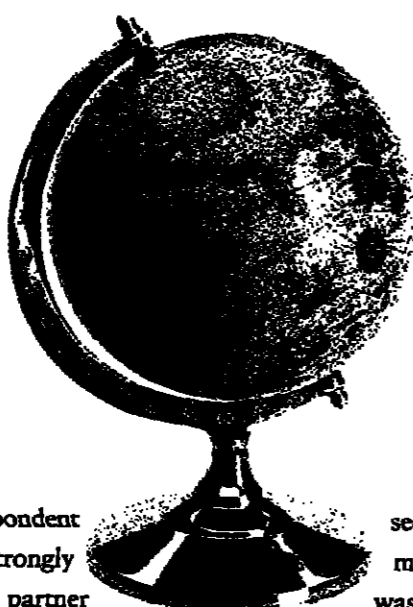
Michael Peel, London

Thais to buy Indonesian gas

Thailand yesterday agreed in principle to buy natural gas from Indonesia's Natuna project and to acquire an 11-15 per cent stake in the project, Mr Korn Dabbarant, the industry minister, said. Thailand would buy gas from 2005, taking 500m cubic feet per day in the first two years and later increasing its volume to 1bn cubic feet per day. The minister said the gas price had to be negotiated further but Thailand had made it clear that it would buy at platform prices.

Reuters, Bangkok

No local touch.



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securitization programmes with maturities 5-7 years. The Bank that was selected as the "Best Bank of Turkey" by Euromoney for 2 consecutive years. Then again, if you think your correspondent in Turkey should also have local strength, who could be a better choice than a bank that handles 9.0% of Turkey's exports? A bank that handles 4.2% of Turkey imports. A bank whose foreign currency transactions topped \$16.5 billion in 1996. A correspondent bank with global standards and local power.

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هكزامن التحويل

The government plans emergency move to prevent further assisted places in schools

Education bill to be rushed through

By Robert Peston, Political Editor

The new UK government is to rush an emergency education bill through the House of Commons to prevent private schools offering places under the assisted places scheme, which is being phased out.

Next week's Queen's Speech, which marks the formal opening of parliament, is also expected to contain plans for immediate reform of the private finance initiative to limit its scope in the National Health Service.

The cabinet meets formally today to plan the government's

first 18 months of legislation. There will be at least two education bills, a crime bill, legislation paving the way for a national minimum wage, a bill to set up an independent foods standards agency and a raft of constitutional legislation.

However the government's hopes of securing speedy passage of bills to set up devolved parliaments in Scotland and Wales was dealt a blow when Ms Betty Boothroyd, the Speaker, said she felt these measures should be debated on the floor of the Commons.

When preparing the legislation in opposition, Labour had hoped much of this constitutional agenda

could be discussed in committee so that there would be time to debate other more populist legislation on the floor of the House.

Parliament assembled yesterday for the first time since the general election, to re-elect Ms Boothroyd as speaker.

In a mid-morning meeting of the parliamentary Labour party - open for the first time to press observers - Mr Tony Blair, the prime minister, warned the record 419 Labour MPs against "behaving with indiscipline and thoughtlessness".

"Remember, as you speak, that you owe something to those

thousands and millions of Labour supporters that put you here."

He urged them to "remember that you are not here to enjoy the trappings of power but to do a job and to uphold the highest standards in public life".

In spite of his calls for unity, a quartet of hardline leftwing MPs - Mr Dennis Skinner, Mr Bill Michie, Mr Dennis Canavan and Mr Ken Livingstone - immediately attacked the government's decision to legislate to transfer control over the setting of interest rates to the Bank of England.

Mr Blair demonstrated his determination to carry out radical

changes to the social security system by giving Mr Frank Field - the number two minister in the social security department - the formal title of minister of state for welfare reform.

Mr Field's specific duties include long-term planning and "a fundamental expenditure review" with an overview of work incentives, poverty and disability benefits.

Mr Field and Ms Harriet Harman, the social security secretary, joined the first, rushed, meeting of the cabinet committee set up to implement Labour's welfare-to-work programme.

New head of trade takes the long view

Labour's Margaret Beckett will avoid acting prematurely

The Labour party's Mrs Margaret Beckett is playing it long. The new President of the Board of Trade has inherited a deskfull of decisions left waiting to be made by her Conservative predecessor, Mr Ian Lang. And the Labour manifesto has committed the Department of Trade and Industry to a large volume of complicated policy changes.

But Mrs Beckett plans to take her time. "I don't like being rushed into things," she says - a view repeated several times during an interview yesterday.

High on the list of manifesto promises is a tougher competition law, something which is generally agreed to be long overdue. The timing depends on the overall legislative programme, but Mrs Beckett is certainly keen to press ahead.

She would like to replace the current weak restraints on cartels with a stronger regime based on European Union law in Article 86 of the Treaty of Rome.

Ideally, she would like to extend this approach to abuses of market power, such as predatory pricing, using Article 86 of the Treaty of Rome as a model. But this would be rather more controversial, and she gives the impression that she might be prepared to hold back here in order to get the legislation moving.

One policy initiative where controversy will be unavoidable is the minimum wage. Why has this been made the responsibility of her department? "Because the prime minister wants issues like the minimum wage and the social chapter to be seen as industry issues and not just industrial rela-



Unfazed: Margaret Beckett intends to work carefully through the papers in the in-tray

'I don't care if people say I am the most boring President of the Board of Trade there has ever been'

Conservative Board of Trade president, to which she attaches importance. She says Labour has benefited greatly from its consultations with business.

One initiative will be to set up a new exporters' forum, intended to help companies get around obstacles to overseas trade.

The second point of emphasis is the department's responsibility for science and technology, which has been upgraded to have its own Minister of State.

All this seems fine but leads to the question: what is the DTI actually for?

Mrs Beckett has no doubt that it has a part to play in helping the UK achieve economic success. She wants to work in partnership with industry, without second guessing people in their

areas of competence, and to identify those areas where government is needed to make things happen.

And what about her role? Mr Heseltine, her predecessor but one, once famously claimed that he would be ready to intervene "before breakfast, lunch and dinner".

"That was a silly thing to say," says Mrs Beckett firmly. She would prefer to be judged by her actions, rather than by grand declaratory statements.

And she is not hunting for newspaper headlines. "I don't care if people say I am the most boring President of the Board of Trade there has ever been if I can contribute to the success of British business."

Richard Lambert

Race hots up to lead ousted party

By James Blitz, Political Correspondent

Mr William Hague, the youngest member of the last Conservative cabinet, yesterday waded into the battle for party's leadership, pledging root-and-branch reform of organisation and tactics.

Defying taunts from some MPs that he had "dithered" before deciding to stand, the 36-year-old MP promised "a fresh start" for the party and a new approach to campaigning.

Announcing his decision to stand, in a restaurant near the House of Commons, Mr Hague admitted that the Conservatives had much to learn from the way Mr Tony Blair, the prime minister, fought the election.

"New Labour may have learnt from us in their policies. We have a great deal to learn from them in communicating through the modern media," he said.

Mr Hague said: "I am not planning to do a Peter Mandelson (who masterminded Labour's campaign) but I am planning to modernise our approach to communicating with the country."

Mr Hague, a rightwing politician with strongly Eurosceptic views, was repeatedly interrogated over why he had agreed this week to be the junior running mate to Mr Michael Howard, the former home secretary only to back out of the pact at the last minute.

Mr Hague said if there had been any "misunderstanding or bad taste in the mouth" from discussions with Mr Howard, then he was "happy to take the blame". Asked whether the move illustrated his inexperience, he said: "By my age, William Pitt [Britain's youngest prime minister] was nearly on his death bed."

The upbeat launch was in marked contrast to the performance of Mr Stephen Dorrell, the former health secretary, who also entered the fray yesterday.

While Mr Hague was able to muster nearly a dozen backers from the parliamentary party, Mr Dorrell was forced to admit that he had just two MPs supporting him - Mr David Faber and Mr Simon Burns - and one member of the European Parliament who has no vote in the contest anyway.

Mr Dorrell, who is on the left of the party, did not hold a press conference and instead launched his campaign by distributing a circular to Conservative MPs. It is understood that Mr Dorrell's campaign office has one telephone. It was noted that he could not cite Mr Peter Luff, the MP for Worcester, in the English Midlands, as a supporter - even though he is known to be a close friend.

The contest will take place once Conservative MPs have selected the executive for the party's 1992 committee, which manages the election. Sir Archibald Hamilton, a former minister, yesterday announced he would be standing as chairman.

All sides do battle for seats of power

By George Parker

It was an emotional moment for Mr Tony Benn, the veteran Labour leftwinger, as he rose to his feet to congratulate Ms Betty Boothroyd on her re-election as Speaker of the House of Commons. "I have not spoken from the government benches since August 1 1991," he said.

Nothing about the post-parliament House of Commons was familiar. After 18 years of Conservative rule, Labour MPs were clearly disoriented as they headed for the government benches, and listened to Mr John Major, the former premier, addressing Mr Tony Blair as "the prime minister". There were a record 282 new members for Ms Boothroyd to identify, many of them wandering around Westminster clutching a



Bit of a squeeze: Betty Boothroyd and Labour MPs on the packed Commons benches

useful video produced by the House authorities on how to be an MP. The new House had assembled formally to re-elect Ms Boothroyd. But MPs were more concerned to

swap gossip and compare the sizes of their respective swings. Conservatives were in a state of shock. "This is a bit like being at an RAF base in

1940 seeing how many of your friends have made it back," said one.

The main problem facing the Labour party was where to put its 419 MPs. With the

limited seating available, many were forced to sit in upper galleries or stand behind the Speaker's chair.

Another mark of the new Commons was the presence of 120 women MPs.

Meanwhile, the Liberal Democrats, whose ranks have been swelled to 46 MPs, plotted a coup to capture the opposition front bench below the gangway. They marched into the chamber at 1pm to stake their claim. Veteran Conservatives, who had already been into the chamber to bag their places with pieces of card, were furious. But when Sir Edward Heath, the former Conservative prime minister, arrived to claim his seat below the gangway - the traditional seat of the Father of the House - the Liberal Democrats made way. "We are delighted to have him on our benches," one said.

Contenders line up for Bank interest rate team

By Richard Adams, Economics staff

The Bank of England's credibility in fighting inflation and setting interest rates will depend on who fills the seats on its new monetary policy committee.

In his reforms of the central bank, announced on Tuesday, Mr Gordon Brown, the chancellor (finance minister), handed over the task of fixing UK base rates to the committee.

This will be composed of nine people, chaired by the governor and overseen by a reconstituted

Court of the Bank of England. The role of the Bank's present deputy-governor, Mr Howard Davies, will be shared. One deputy-governor will be responsible for financial stability and a second for monetary policy. Both sit on the committee.

A further two members of the committee will be appointed from within the Bank of England: Mr Mervyn King, the bank's economist and executive director responsible for monetary policy, and Mr John Penderleith, the executive director responsible for market operations.

The remaining four members of the committee will be appointed by

the government. Mr Brown has given few hints about who will be appointed, but his letter to Mr George on Tuesday said: "They will be recognised experts."

Top of most lists of likely members is Mr Gavin Davies, chief economist and partner of Goldman Sachs, the US investment bank. Mr Davies is close to senior members of the Labour party, including Mr Tony Blair, the prime minister, and has been a strong supporter of giving the Bank responsibility for interest rates. But Mr Davies may not be tempted to give up his lucrative position with Goldman Sachs

for a full-time position with the Bank. What may tempt him is the possibility of eventually moving into the position of governor. If he does join the committee, he is likely to be appointed to one of the deputy-governor posts. Mr King is also a candidate for deputy-governor, and would be a future contender for the governorship.

Professor David Currie of the London Business School, who was last year made a peer by the Labour party, leads the list of candidates for one of the four government-appointed posts. Prof Currie was one of the first "wise men" on

a committee of independent economic advisers appointed by Mr Norman Lamont, the then chancellor, in 1992.

Professor Charles Goodhart, adviser to the Bank until 1990 and now professor of banking and finance at the London School of Economics, is also tipped.

Mr Michael Saunders, an economic analyst with US investment bank Salomon Brothers, and Mr Neil MacKinnon, chief economist at Chase bank in London, are also strong contenders.

Samuel Brittan, Page 12

UK NEWS DIGEST

Factory output drops in March

Manufacturing output in the UK dropped unexpectedly in March, confirming that the strength of sterling is eating away at the recovery in industry. The City of London reacted positively to the figures, seen as slightly lessening the chances of another interest rate rise in the short term. Official data showed yesterday that overall industrial production compared to February fell by 0.1 per cent. Manufacturing output - which excludes mining and energy production - also dipped by 0.1 per cent. Most City forecasters had predicted increases in both figures of between 0.2 per cent and 0.6 per cent. Economists said the weakness in industry gave a clue as to why Mr Gordon Brown, the chancellor of the exchequer, raised rates by only 0.25 of a percentage point on Tuesday. The figures backed Mr Brown's reference to the "disappointing levels of manufacturing activity" after he announced the rate rise.

March's downturn also caused the annual rate of growth in industrial activity to slow. Industrial output in the 12 months to March increased by 0.5 per cent, compared to a 1.3 per cent gain in the year to February. Annual factory output growth slowed to 1.4 per cent, compared to 1.7 per cent previously. "These figures serve as a timely reminder that industry needs more rises in interest rates - and the further rise in the pound they could prompt - like a hole in the head," said Mr Jonathan Loynes, UK economist at HSBC bank. Mr Andrew Cates, economist at UBS, said the fall in output showed the strong pound is "playing a powerful role in restraining demand-led inflationary pressures".

RAIL

First test for competition issues

Two train operating companies are in dispute in the first test of competition issues on the newly privatised railway. The rail regulator, Mr John Swift, is expected to rule shortly on whether South Wales & West, owned by Prism Rail, should be allowed to launch through services from south-west to north-west England from June 1 - in competition with existing trains run by Virgin Cross Country.

The regulator has imposed tough restrictions on new services which compete with existing trains to allow the private operators to become established. Virgin, which says the dispute over the new services pre-dates its acquisition of the Cross Country network from British Rail, the former state operator, said Prism was only launching the new trains to win a share of passenger revenues. Prism denies this. Under the revenue allocation system inherited by the private companies from BR, train operators are allocated revenues according to the number and timing of trains rather than the actual number of passengers. The dispute has already been considered by the arbitration committee of the Association of Train Operating Companies, which ruled in favour of Virgin. But Prism has appealed to the rail regulator for a final verdict.

CHURCH OF ENGLAND

Report reveals assets at \$4,821

The Church of England has transformed itself from a failed investor in property to a successful investor in equities, the annual report from the church commissioners, who manage the church's investments, reveals. At the end of December, net assets stood at £2,976m (\$4,821m), a figure that in cash terms is marginally above the previous peak of £2,932m in 1988. That was just before what a House of Commons committee branded as a "foolish" property investments during the 1980s, which produced an \$800m loss and a financial crisis for the church.

Big changes to pension arrangements, approved by parliament just before the general election, have brought liabilities back into line with assets. Mr Christopher Daws, the commissioners' finance secretary, said yesterday. The changed investment performance since 1984 came as the commissioners took advantage of the strengthening property market to dispose of £700m in property, investing in the rising equities market.

PENSION FUNDS

Warning over tax breaks

The National Association of Pension Funds will today warn Mr Gordon Brown, the chancellor, of the dangers of removing tax breaks enjoyed by pension funds. At the association's annual conference in northern England Ms Ann Robinson, director-general, is expected to say that the association has "deep concern" about the government's projected tax policies. She will warn that reducing or abolishing the advance corporation tax credit enjoyed by pension funds and other non-taxpaying recipients of dividends would be a "serious mistake".

The association is concerned that Labour's pledge not to increase income tax rates means it will have to increase other taxes. An association official said yesterday: "We are getting a lot of concern from members and we are going to go flat out to try to ensure it does not go ahead." Dividends paid to pension funds are exempt from tax because income is taxed when it is received. The association believes Mr Brown is considering reducing or abolishing the 30 per cent tax credit on dividends in his summer Budget following the 5 percentage points cut implemented in 1993.

NORTHERN IRELAND

New impetus urged in peace talks

Mr John Bruton, the prime minister of the Republic of Ireland, yesterday called on Labour to launch a series of confidence-building measures in Northern Ireland to kick-start the faltering peace process. Mr Bruton, who will meet Mr Tony Blair for the first time as prime minister today, highlighted the issue of IRA prisoners as a vital step in making "a new beginning".

He urged the new Labour government to show "a sensitivity to the concerns of prisoners" by transferring as many inmates as possible to prisons close to their families.

In a speech at Oxford university last night, Mr Bruton also called on Mr Blair to implement the North report on sectarian marches in the immediate future. He described the report as "one of the most important confidence-building measures in Northern Ireland" replacing "confrontation on the streets" with a "consensual approach". He said he would offer Mr Blair today the wholehearted co-operation of the Irish government in revitalising the peace talks which resume on June 3.

UNIT TRUSTS

Hybrid investment vehicle launch

The launch of the first UK open-ended investment company was announced yesterday by fund manager Global Asset Management after years of regulatory wrangling and delays. It is set to be the first of many. The Association of Unit Trusts and Investment Funds believes that the Oic - a hybrid of a unit trust (equivalent to a mutual fund) and an investment company - will eventually come to dominate the £141bn (\$228bn) unit trust industry. Mr Philip Warland, Autif's director-general believes that Oic's will attract a "considerable flow of funds from overseas investors in the coming months and years". Unlike unit trusts, Oic's are already well established in mainland Europe. But fund managers are more sceptical about how well UK Oic's will sell to overseas investors. UK Oic's will pay dividends net of UK tax, unlike offshore funds which pay income gross.

Jean Eaglesham

ARTS

Cinema/Nigel Andrews

Mortal coils

Have you noticed how often the word "fear" crops up in criticism? "As bad as one's worst fears", "Much better than one might have feared", "Not, we fear, one of the great films", and so on. Possibly critics use the word for a surrogate or make-believe frisson, since theirs is a largely fear-free occupation.

There is, though, one area of anxiety, if not of actual terror: the "What On Earth Is There To

write about both films together since both have the same plot dynamic. In *Kolya* a human being (Zdenek Sverak) and in *Anaconda* several human beings (led by Jon Voight as a missionary turned reptile-hunter) are thrown into situations foreign to their experience, where they have their lives and values overturned.

In *Anaconda* they have their lives ended, or most of them do. Here a forty-foot snake romps about the Amazon to the distress of Ice Cube, Jennifer Lopez and Jonathan Hyde, members of a documentary movie team being taken upstream for his own dark purposes by Mr Voight. His villainous personality is indicated by a fixed Fu Manchu-like sneer and Peter Lorre vocalisings.

The snake, spiritedly brought to life by modelwork and computer graphics, performs a devil-ex-machina role virtually identical to that of the title tot (Andrej Chalmion) in Jan Sverak's *Kolya*. He is a boy left to the grizzled fiftyish Louka (played by the writer-director's father Zdenek), a Prague funeral mason and part-time cellist at crematoriums, after little Kolya's Russia-defecting mother has fled west after her marriage of convenience to Louka allowed her to obtain Czech papers. (The time is 1988.)

Just as the screen-annexing anaconda coils itself around its victim before rearing its head to give a last fond look at the suffocation process, so little Kolya taunts larger Louka with a new experience of love and emotional claustrophobia.

The boy's zombie-like cuteness acts as a foil to the older man's bachelor disarray and a frustration to his hitherto active sex life. Both characters charm us near to death, though the director keeps winsomeness at bay



Andrej Chalmion in the title role with Zdenek Sverak in 'Kolya', winner of the Best Foreign Film Oscar

with moments of bleak, if not black, comedy. No sooner has the boy acquired a cut-out toy theatre, for example, than he starts staging the only new-world ritual he has become familiar with: cremations. We watch the paper bodies being slid into paper ovens by this rapt-eyed bequest of a paper marriage.

Back in Brazil it is climax time for the all-but-paper snake, which seems to have grown. Was it always long enough to loop down the entire length of a waterfall, from its curled eye to a tree branch, and scoop up Mr Hyde? This happens shortly after Hyde has thumped the objectionable Voight on the head with a golf club, pronouncing "Arsehole in one." Mr H dies, but Mr V survives to be eaten and then regurgitated by the snake, a fine scene illustrating what is allegedly a feature of anaconda behaviour.

To be honest, I would not cross a county to see either film. But both outline the earnest, drably rechristened *Ghosts From The Past*. In America this truth-based civil rights drama was called *Ghosts Of Mississippi*, which at least had colour and specificity. (What ghosts, pray, do not come from the past?)

Rob Reiner, more at home in satire-edged comedy (*This Is Spinal Tap*, *When Harry Met Sally*), directs this flaccidly scripted Deep South reconstruction of the re-trial of white supremacist killer Byron De La Beckwith (James Woods). Beckwith, an elderly, floridly-spoken fanatic from Jackson, Mississippi, was twice acquitted of the 1963 shooting of black equal-rights campaigner Medgar Evers before proving third time unlucky in 1994.

Alec Baldwin labours through

the underwritten role of Beckwith's nemesis, assistant District Attorney Bobby DeLaughter. And although James Woods's Oscar-nominated Beckwith has some choice arias of southern dementia, his rhino-wrinkle prosthetics give him an unnerving resemblance to the mad grandpa in *Texas Chainsaw Massacre*.

Since Beckwith declined to testify at his own trial, Reiner and screenwriter Lewis Colick bid to compensate for the loss of courtroom tension with a gent's-room confrontation between Woods and Baldwin. It seems meant as the movie's big scene but is its phoniest, full of sound, fury and faked eloquence. (All else apart, are defendants in American trials really allowed to jostle at the same loos, basins and hand-dryers as their accusers?)

When not foolish, *Ghosts From The Past* is piously right-on. It is

hard not to wince at moments such as Baldwin's response when his little daughter asks him to sing his usual bedtime song - "Maybe 'Dixie' isn't the right song," he says, spoofing the film's liberal message for those with swallowing difficulty - or such as almost every appearance by Whoopi Goldberg. Playing Evers's widow and clutching offspring played by Evers's own real-life children, the poor actress is required to all but wear a halo.

Moll Flanders, torpidly written and directed by Pen Densham, rounds out the week's grim toll. Robin Wright is our heroine, suffering through every woe that civilisation can offer from poverty and small pox to risibly updated 18th century dialogue. The film was "inspired by" the original novel by Daniel Defoe, who is unlikely to reciprocate the feeling.

Proms '97 announced

The 1997 BBC Prom Season, which opens at the Royal Albert Hall on July 18 with Beethoven's *Missa Solemnis* conducted by Bernard Haitink, builds on the success of last year. All the 1996 innovations are back - the Prom in Hyde Park to coincide with the Last Night down the road at the RAH; the Junior Prom; and the Monday lunchtime chamber concerts, although these will be held at the Victoria & Albert Museum, not the Royal College of Art.

The main new developments are the first ever solo recital, by the young Russian pianist Evgeny Kissin, in the Albert Hall on August 10; and a repeat of each Prom on Radio 3 at 2 pm.

The featured composer is Bartok and the weekend devoted to one composer will be Britten. The anniversaries of Schubert, Brahms and Mendelssohn will be celebrated with generous offerings of their work, in particular of their lesser performed music - for example, a Schubert comic opera, and cantatas by Brahms and Mendelssohn.

Among the big events will be the first British performance of Henze's one act opera *Venus and Adonis*; a performance of Honegger's *Joan of Arc at the Stake*, directed by Deborah Warner and starring Fiona Shaw; and the first complete performance at the Proms of Gilbert & Sullivan's *The Gondoliers*.

Visiting orchestras include the Dallas Symphony, the Royal Concertgebouw and the Leipzig Gewandhaus. There will also be 30 premieres, including seven BBC commissions and, in his attempt to widen the musical boundaries Proms supremo Nicholas Kenyon is including work by Frank Zappa and a 70th birthday celebration for Johnny Dankworth featuring Cleo Laine.

Last year the Proms managed 89 per cent capacity, and with half the seats being offered at unchanged prices, and a new quarter season Prom ticket of 20 concerts for as little as £32 on offer, Proms 98 should be equally successful.

Antony Thorncroft

Theatre/Ian Shuttleworth

Wilde at face value

When one of the theatre's habitués remarks at the curtain call, "Well, that was *very* Gloucester", one knows the preceding two hours and more have not exactly broken new ground. Richard Cottrell's production of *Lady Windermere's Fan* looks opulent, sounds, well, loud, and challenges no preconceptions whatever.

The tone is established by Siri O'Neal's first aside in the opening minute: she moves to the front of the theatre's deeply-trust stage and does not so much intimate to the audience as orate at it. Throughout the play, O'Neal does her level best not to appear jejune, but fails; her near-hysteria at the beginning of Act 3, in the rooms of her extramarital suitor, Lord Darlington, even drew the occasional titter.

Cottrell directs the emotional content of Wilde's play - that morality may not be as immutable as one believes - squarely, broadly and, for the most part, superficially; when David Rintoul, as Darlington, delivers the classic line, "I can resist everything except temptation," he accompanies it with a gesture reminiscent of Pavarotti at the climax of an aria, a moment

which encapsulates not only his over-poised, over-graceful performance, but most of the evening. Google Withers enjoys her portrayal of the Duchess of Berwick, dropping to a booming baritone for her punchlines, but the most characteristic scene is Act 3's gathering of the gentlemen after a night at their club as they self-consciously swap epigrams.

Thanks to *Dynasty*, Stephanie Beacham has built a fresh career as a *femme fatale* of a certain age and her rendition of the scandalous Mrs Erlynne is no exception. Beacham delivers her lines in an affected, languid drawl, somewhere between out-dated stage performance and a bad impersonation of Katharine Hepburn. Even Hugh Durrant's stage design, with its diagonally-slashed Doric columns, overstates the matter. During one ultra-violet-lit scene change, the upholstery glows luminous.

This is not a production which brings the play to life in any meaningful sense; it presents the surface of the work four-square without a hint of ever trying to penetrate any more deeply.

Ian Shuttleworth

Chichester Festival Theatre, until July 5 (01243-781312).

Theatre/Alastair Macaulay

Callas travestied

Music, not theatre, is the holy art. Maria Callas - the most famous singer-actress of all time, who died 20 years ago this year - believed that too. She was considerably more knowledgeable about, and interested in, Furtwängler's conducting of Beethoven symphonies than she was in Shakespeare. Alas, you would not guess that from *Master Class*, the 1995 Broadway play by Terrence McNally now reaching the West End. A sustained exercise in camp, it is in several senses a travesty of Callas and of her priorities.

Only once did Callas give master-classes, in New York in 1971, six years after her last previous public performance. She spoke seldom, as the recordings show, of emotion or motivation; instead, she attended painstakingly to such matters as meticulous delivery of triplets and grace-notes, to the correct use of the chest register, and to clean entry into notes and of fluent portamento.

God, for Callas, is in the detail; and so, by the way, is drama. McNally's Callas, by contrast, talks like a martyred, solipsistic, and unmusical male homosexual of the draggiest kind. What matters to this diva? The all-importance of feeling; her sexual awakening with a male partner (Onassis); and how she has suffered for being honest. True, Callas, from the time her voice

began to wane, did indeed become more and more like a female impersonator in her studied attention to *haute couture* glamour and in her affected offstage behaviour; but talking of music always brought out her most natural instincts and keenest intelligence.

McNally's Callas, however, is posey from first to last, and at times is far more like the aged and bizarre Marlene Dietrich or Mae West. Her monomaniacal bitch-goddess persona is also close to the Norma Desmond of *Sunset Boulevard*. Musical detail bothers this Callas not one jot. The nearest she comes to musical coaching is to cry, during a tenor aria, "Here it comes, the big tune! Go for it!" She is full of bitchy put-downs, manipulates her audience with the comic malice of Dame Edna Everage, and twice she enters into prolonged soliloquies which are melodramatically modelled upon the operatic mad scenes in which Callas specialised. Sex matters to her more than music; and with a camp vulgarity which would have appalled Callas, she announces "An aria without a cabaletta is like sex without an orgasm". This is the second time I have seen McNally's play, and it is the second time its distortion of Callas has made me shake with rage.

There are, by the way, several inaccuracies. This Callas talks of interpolating a top F at the end of Act One of *Norma* (actually it was a top D), and she gasps "Great music always takes so much out of me!" after the tenor aria from Puccini's *Tosca* (a composer and opera neither of which the real Callas much admired, despite their usefulness to her career). McNally grabs at every sensationalist aspect of Callas's life-story he can, including the much-disputed story that Onassis forced Callas to have an abortion. One of the students in this play accuses her of encouraging them to ruin their voices as she had ruined hers ("You just want us to sing recklessly"); which, in this play, sounds justified - although nobody who listens to the tapes of Callas's master-classes could say she condoned bad or dangerous singing in others.

Still, a play can be inaccurate and sensationalist and still be good. Not so *Master Class*. It homes in only on the queenly decadence, excess and futility of Callas's career; and, in its obvi-



Patti LuPone as Maria Callas in 'Master Class'

ous and manipulative methods, it is like a Lloyd Webber show with less (but better) music, fewer rhymes, and a lot less scenery. In London, it even has Patti LuPone, who here is asked to talk through great music (instead of singing cheap music, as in *Sunset Boulevard*). She brings the role more artistic seriousness than did its New York originator, Zoe Caldwell, and her features

occasionally bring Callas to mind. I was grateful for her until, during Act Two, her slow and humnily vibrating drone sank to the level of the play. The production, directed by Leonard Foglia, is much like the Broadway original, but a few lines have been changed. Poiselessness predominates; this Callas has no damon.

Queen's Theatre, W1.

INTERNATIONAL ARTS GUIDE

ANTWERP

OPERA
De Vlaamse Opera Tel: 32-3-2336808
● Così fan Tutte: by Mozart. Conducted by Lawrence Renes, performed by the Vlaamse Opera. Soloists include Véronique Gens, Graciela Araya, Iain Paton and Urban Maiberg; May 10

BERLIN

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Der Freischütz: by Weber. Conducted by Zubin Mehta, performed by the Staatsoper Unter den Linden. Soloists include Roman Trekel, Carola Höhn and Dorothea Röschmann; May 11, 14, 17, 19

BOLOGNA

CONCERT
Teatro Comunale di Bologna Tel: 39-51-523901
● Orchestra da Camera di

Bologna: with pianists Katia and Marielle Labèque and flutist Andrea Griminelli perform works by Mozart and Saint-Saëns; May 12

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Philharmoniker: with mezzo soprano Kathleen Kuhlmann, flutist Holger Miller, oboist Klaus Kärcher and Gürzenich-Orchester perform works by Bach, Händel, Kummer, Rossini, Fürstenau and Montsalvatge. Soloists include mezzo soprano Kathleen Kuhlmann, flutist Holger Miller, oboist Klaus Kärcher and English Horn-player Albrecht Bode; May 10

FLORENCE

OPERA
Teatro Comunale Tel: 39-55-211158
● Parsifal: by Wagner. Conducted by Semyon Bychkov, performed by the Orchestra e Coro del Maggio Musicale Fiorentino. Soloists include Berndt Weild, Andrea Silvestrelli and Poul Elming. Part of the 60th Maggio Musicale Fiorentino 1997; May 11

HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● London Symphony Orchestra: with conductor Sir Colin Davis and violinist Anne-Sophie Mutter

performs works by Beethoven and Brahms; May 12

LONDON

EXHIBITION
Queens Gallery Tel: 44-171-390432
● Views of Windsor - Watercolours by Thomas and Paul Sandby: collection of works by the brothers Thomas and Paul Sandby, both important figures in the development of watercolour painting in England during the second half of the 18th century. The exhibition includes a number of Paul Sandby's best known views of Windsor Castle and the Home Park painted during the 1780s and 1770s and a selection of works by his brother, including watercolours that relate to his work as a landscape architect in Windsor Great Park; from May 9 to Jul 13

LUXEMBOURG

DANCE
Théâtre Municipal Tel: 352-470895
● La Sylphide: choreographed by Pierre Lacotte to music by Schneitzhoeffer, performed by the Ballet National de Nancy et de Lorraine; May 9, 10

MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Marta Maribona: the pianist

performs works by Mozart and Schubert; May 10

EXHIBITION

Museo Nacional Centro de Arte Reina Sofia Tel: 34-1-4675062
● Eugenio D'Ors Critico de Arte: display tracing the developments of Spanish modern art throughout this century and the career of the Spanish art critic D'Ors. On display are works by artists including Torres García, Picasso, Dalí, Miró and Saura; to Sep 15

NEW YORK

EXHIBITION
MOMA - Museum of Modern Art, New York Tel: 1-212-708-9400
● Manuel Alvarez Bravo and Twentieth-Century Mexican Photography: exhibition featuring 175 photographs selected from all phases of Alvarez Bravo's career, covering his formal experiments in the 1920s and later modernist works inspired by Surrealism; to May 18
Whitney Museum of American Art Tel: 1-212-570-3600
● The 1997 Biennial Exhibition: the 1997 Biennial is the 69th in the series of Biennial exhibitions, first established by Museum founder Gertrude Vanderbilt Whitney in 1932. The Biennial is the Whitney's signature exhibition and focuses on the most important developments in recent American art; to Jun 22

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Rusalka: by Dvorak.

Conducted by John Fiore, performed by the Metropolitan Opera. Soloists include Renée Fleming, Frances Glinzer and Dolara Zajick; May 10

PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Alain Diot: exhibition of recent paintings by the French artist, whose work explores perception of light by using greys and whites predominantly in his paintings; to May 18

OPERA

Théâtre National de l'Opéra - Opéra Garnier Tel: 33-1 42 66 50 22
● La Clemenza di Tito: by Mozart. Conducted by Armin Jordan, performed by the Orchestre et Chœurs de l'Opéra National de Paris. Soloists include Rainer Trost, Cynthia Lawrence and Christine Schäfer; May 10

ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Ulf Schirmer and cellist Steven Isserlis perform works by Haydn and Nielsen; May 11, 12, 13

OPERA
Teatro dell'Opera di Roma Tel: 39-6-481601
● Der Fliegende Holländer: by Wagner. Conducted by Jeffrey

Tate, performed by Teatro dell'Opera di Roma. Soloists include Susan Anthony, José van Dam and James O'Neill; May 10

ROTTERDAM

POP-MUSIC
Ahoj Sportpaleis Tel: 31-10-4104204
● The Who: performance by the English rock group; May 11

STOCKHOLM

DANCE
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Mayerling: choreographed by Kenneth MacMillan to music by Liszt, performed by the Royal Swedish Ballet; May 9, 12

THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97 Tel: 30-31-867860-6
● Contemporary Yugoslav Art: display of work by 30 artists, presenting prevailing trends in contemporary Yugoslav painting, sculpture, graphic arts, drawing, photography and video art; to May 14

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COMMENT & ANALYSIS

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Thursday May 8 1997

Labour's Euro dawn

What a difference a landslide makes. A cloud of euphoric goodwill surrounded the British foreign secretary yesterday on his visit to Paris and Bonn. Suddenly, British diplomats are spared the odium of representing ministers who either cannot or will not make concessions on anything, while their new Labour masters are liberated from the fear that any friendly noise they make about Europe will be used to rob them of their election victory.

So Mr Robin Cook was able to cross the Channel bearing gifts. The detail of his negotiating position on the revision of the Maastricht treaty remains fuzzy, as a negotiating position needs to be. But the strategy is clear. Instead of threatening to block any agreement at next month's Amsterdam summit, Mr Cook expressed his determination to reach one. By stressing a general attitude of co-operation and flexibility he hopes to gain understanding from Britain's partners on those points which even for the new government are not negotiable.

Foremost among these is the Schengen accord, which touches many of the same justice and home affairs issues as the EU's so far largely notional "third pillar": co-operation between national police forces, immigration and asylum policy, and the policing of the common external border. Thirteen of the EU's 15

members have signed (though only seven have so far fully implemented) the accord, and now wish to incorporate it into the union treaty.

Fine, says Mr Cook, but only if the right of an island nation to maintain frontier controls on people coming from within as well as outside the EU is written in, as a permanent exemption rather than a temporary opt-out. (Willy-nilly, that will apply also to the member state with which John Bull shares his other island: the Irish Republic may perhaps enter Emu on its own, but is obliged by sheer convenience to remain in passport union with the UK.)

If he gets his way on this, it seems Mr Cook may not be too fastidious about allowing the European parliament and court of justice some role in third pillar issues, which the previous British government was determined to preserve from the merest hint of supranationalism. He has also made it clear he will not expect any concessions on fish quotas to be written into the treaty, so long as by June he has some form of undertaking that the issue will be addressed. Spaniards will inspect the small print of any such pledge with extreme suspicion. But if Mr Cook can keep the euphoria humming it may be Spain, for a change, that finds itself in Europe's doghouse.

Wrong option

The efficacy of the German and Japanese models of capitalism is everywhere being questioned. But will the introduction of stock options help resolve their respective difficulties in corporate governance? Clearly some powerful folk think so. Last year Deutsche Bank and Daimler-Benz introduced stock option schemes for their senior management. And now the Japanese parliament is removing longstanding obstacles to the use of stock options.

Part of the diagnosis is undoubtedly right. These are systems in which the shareholder has traditionally been accorded low priority. The imposition of an enduring penalty on equity ownership was sustainable while populations were young and only small parts of the two countries' economies were exposed to international trade and capital flows. But in today's more liberal global environment, it leads to economic distortions and, in Japan, to financial instability.

The ability of the banks to maintain close relations with their corporate clients and play a central role in addressing managerial failure has been weakened, thanks to shrinkage in the amount of borrowing in corporate balance sheets. That said, it is far from clear that giving US-style stock options to German and Japanese managers will improve things.

In theory, stock options should encourage managers to identify their interests more closely with those of shareholders. Yet there is little correlation in the English-speaking economies between good managerial performance and the grant of generous stock options. Indeed, the legitimacy of the wealth creation process has been tarnished as a result of inflationary awards in the boardroom. The ever-increasing earnings differential between the shopfloor and the board has become a demoralising influence on the workforce.

Much of the strength of the German and Japanese forms of capitalism derives from a sense of solidarity and commitment in the workplace. The use of stock options need not undermine this ethos if the schemes are well designed. Yet new options plans at Deutsche Bank and Daimler-Benz are not available to all employees. The terms offer management a one-way bet. And the options can be exercised on the basis of performance measured against the return on government bonds.

It remains to be seen whether the Japanese opt for a less obviously flawed approach. But there is a risk that in their present self-critical mood, the Germans and Japanese will take aboard the less attractive features of Anglo-American capitalism instead of the best.

Tory blues

The decisions before the British Conservative party following its defeat last week may be even more difficult than those that confronted Labour after its trouncing in the 1983 election. Voters then emphatically rejected Labour's brand of socialism. Mr Michael Foot, the party's leader, predicted gloomily that if he lost, "the old famous socialist stream could perish in sectarian bogs and sand". But defeat also gave modernisers a clear idea of what new direction to take, even though it took 12 years and three more leaders for them to reap the rewards.

For the Tories, now starting the painful process of choosing a new leader, the lesson from last week is, curiously, less clear. They were, and remain, fatally divided on Europe. But voters showed that, even if they did have serious reservations about deeper European integration, this was far from their main preoccupation.

Nor is there an unequivocal message for Conservatives on the economy. If Labour really does stick to its fiscal and monetary promises, the Tories' next leader may find it as hard to score opposition points on the economy as to secure unity on Europe.

To complicate matters further, there is the difficulty that the parliamentary party may not be a legitimate electoral college. Tory MPs are few in the English cities, and completely

absent in Wales and Scotland. There must thus be serious doubt as to whether those that remain can elect a new leader who can be assured of the whole party's support. A widening of the franchise deserves consideration before the leadership election.

Five of the six candidates will oppose membership of a single European currency, perhaps in the hope that this will be the way towards unity and distinctiveness. But any new leader will find this an issue of extreme danger, beset with those ideological bogs and streams which the electorate so dislikes.

Several candidates have talked of the need to learn from Labour's organisational skills. They might also note the way in which Mr Tony Blair, the new prime minister, pushed aside socialist disputes with his robust pragmatism.

For the Tories, this may be a protracted process. To start it, they need a leader who can convince demoralised MPs and activists that sovereignty is not a religious absolute, that national interest can differ from nationalism and that doing deals with foreigners is no treason.

By debating the balance of advantages, they might then be able to mount a credible and perhaps even a broadly unified opposition. Otherwise, they will be in danger once again of shouting into the wind.

A cultural exchange

ICI's character will be transformed with the takeover of Unilever's speciality chemicals business, says Tony Jackson

For a one-time monolith of British industry, Imperial Chemical Industries has developed a remarkable capacity to surprise. Just four years ago, it spun off the bulk of the business under a different name, Zeneca.

Now comes the next novelty: a kind of reverse takeover of the remainder, disguised as the £4.9bn (\$8bn) purchase of Unilever's speciality chemicals business.

Consider the numbers. The £4.9bn purchase price is almost the same as ICI's market value. But ICI is to sell off some 60 per cent of itself - its bulk chemicals businesses worth £2bn - to pay for it. In value terms, the Unilever business will form some 70 per cent of the new entity.

And Mr Charles Miller Smith, ICI's chief executive, was until two years ago a Unilever man. Of his 30 years with Unilever, 11 were spent in the chemicals division he has just bought.

The culture of the two companies could scarcely be more different. Unilever's is focused on marketing. ICI's on production. Unilever's business is characterised by steady growth, ICI's by cyclical swings. Unilever is expert at acquisitions, ICI is sometimes clumsy - a fact that gives added point to the question of who is taking over whom.

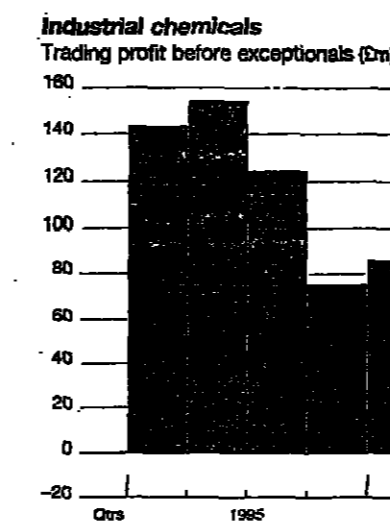
For Mr Miller Smith, the trick is to combine the best of both cultures. Take acquisitions, for example: "Unilever grows largely by acquisitions, since its organic growth is slow," he says. "I've built my career understanding how that happens." In the past two years, he adds, ICI has made a series of acquisitions in the paint industry, all "stunningly successful".

Or take production. Unilever's chemical plants, according to ICI, are five years behind ICI's in technology.

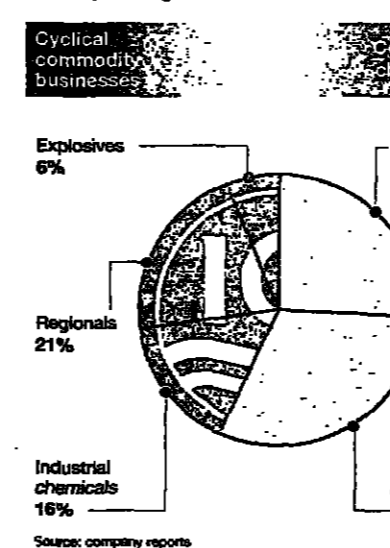
"You'd expect that," says Mr Miller Smith. "The nature of the (Unilever chemical) businesses is locked up in marketing, focus on the customer and managing parts of the supply chain."

"ICI has to be obsessed with the particular piece of the supply chain called manufacturing, so

ICI: breaking free of the cycle?

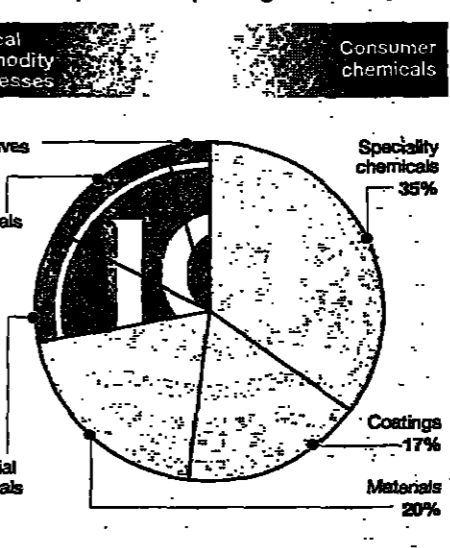


Existing portfolio 1996 operating income: £265m



Charles Miller Smith
ICI's chief executive

Enlarged group 1996 pro forma operating income: £1,022m



we can add value there. It's a question of priorities."

Unilever's sales and marketing skills are correspondingly ahead. Sir Ronald Hampel, ICI's chairman, recalls that his first job with the company 40 years ago was as sales control clerk, rationing the supply of goods to cus-

tomers. "If something was the wrong shape," he says, "it was up to the customer to change it."

As for the cyclical nature of ICI's business, outsiders have charged that the wild swings inherent in the business tend to create a culture of excuses. When

profits slump, it is the fault of the cycle.

Mr Miller Smith does not wholly deny this. But, he points out, Mr James Kennedy, head of the Unilever chemicals business, will join the ICI board.

"If you ask Kennedy his philosophy on budgets," he says, "he

says he is not very keen on them. He just wants increased sales and profits every year. Compared to a cyclical business, that gives you a quite different set of behaviour patterns."

So what will be left of the ICI culture? Even its expertise in large-scale manufacturing, after all, will mostly depart with the £3bn disposal of its bulk chemicals businesses. What else will be worth retaining?

"As an outsider to the culture," Mr Miller Smith says, "I would argue the reason it deserves to survive is a gutsy determination to win when the chips are down."

"Second, the creative grain running through ICI has to do with science and technology. We mustn't lose that."

The new culture, he argues, will be an amalgam. Millbank, ICI's grand and venerable London headquarters, will lose its English character. It will receive an infusion of "tough Americans and gritty Dutch" from the Unilever businesses.

And there will be more emphasis on the customer. At Unilever's equally imposing London headquarters, the foyer is lined with displays of detergents and frozen food.

"When you come into Millbank in a year's time," Mr Miller Smith says, "it should be full of product and customers, and events to bring them together."

This is all very well. But corporate history is littered with cultural collisions that did not work. Why should this one be different?

Several reasons, says Sir Ronald. The new ICI will be a meritocracy, promoting young executives from both sides who are able to change and adapt. It will also be even-handed at the top. "Don't underestimate the power of the message in putting Kennedy on the board."

But in the end, it seems, ICI's ace in the hole is Mr Miller Smith.

"With Charles," Sir Ronald says, "it's not a question of making assumptions about what we're buying. It's a matter of knowledge."

Bulk of the problem

Jenny Luesby on the reasons for yesterday's move

production will shift to Asia."

This does not just reflect the different rate of growth in the region, he says. It is also the result of "a different attitude to finances and returns."

Asian producers are now cultivating commodity chemicals businesses in much the same way that ICI once reared its former pharmaceuticals business, now spun off as Zeneca. They are willing to sustain losses in order to gain a foothold.

The effect is devastating for the world's established producers. And ICI has not been slow to recognise this threat - doing more than most of its peers to build up production sites in Asia.

For example, in PTA, the polyester raw material where it has the technology to produce at the lowest cost, it has built plants in Taiwan and Pakistan.

But even this Asian presence has failed to protect it. A glut of polyester as rival producers raced to expand last year knocked ICI's profits by an estimated 20 per cent.

The group now plans to get out of polyester with a deal - probably an alliance with a fellow producer - little more than weeks away.

Similarly for titanium dioxide, the white pigment used in nearly all paints and plastics, ICI is the world's second largest producer, but its profitability has been undermined by successive waves of oversupply in the sector. This prompted the group's decision in February to sell the business.

At the time it said it hoped to raise £700m by floating its subsidiary Tioxide within 18 months. Corporate financiers were sceptical. Yesterday, the group said talks had since

begun, aimed at selling the business directly to one of its competitors.

The company also appears close to a clever exit from explosives, another of its low-margin and difficult businesses, through an asset swap. The group hopes to pass its global explosives business to its Australian subsidiary in return for the latter's paints business. It will then sell its Australian subsidiary to raise more than £1bn.

Also on the block as ICI seeks to raise £3bn over three years are the rest of its fertilisers business and its chlorine business, both sited predominantly in the UK.

At the time of its demerger from Zeneca, ICI promised it would look radically different within five years. The mood at the group's Millbank headquarters was euphoric yesterday as it

delivered on that promise. The new ICI will be a company without a peer in Europe, says Sir Ronald. For its former rivals, stuck in cyclical commodity sectors, this is a painful truth.

Where possible, these companies have already followed ICI's first "big solution" by demerging their pharmaceuticals and chemicals businesses. Many would also like to get out of cyclical commodity chemicals, but there is hardly a queue of buyers.

The expansion by Asian chemical producers may yet stretch to buying up established European businesses. Chemical-minded oil companies might also pick up some of the weaker businesses.

But the opportunities for stepping rapidly into speciality chemicals, or some other new field of activity, are sparse. Thus, even if a sell-off of bulk chemicals were possible, acquiring a replacement business might not be.

Against this background, ICI may be one of very few large chemical companies in Europe to rescue itself.

OBSERVER

Turkey's Moody Blues

Moody's, the Wall Street rating agency, must be quaking in its boots.

Turkey's economy minister Ufuk Soylamez is writing a "warning letter" after the agency had the audacity to criticise Turkey's economy in its annual report on the country's banking system.

It accused Turkish governments of repeatedly failing "to come to grips with the structural causes of high fiscal deficits, inefficient public enterprises, a bankrupt social security system and a narrow tax base."

Soylamez finds it highly suspicious that the report should have come from Moody's regional office in Limassol, Cyprus - no friend of Turkey which occupies the northern part of the island.

He claims the offending document was "written by remote control", presumably by Turkey's Greek enemies, and vows to put Moody's right on "all their errors and omissions".

Other rating agencies have also become punchbags for Turkish politicians. In January, after Standard & Poor's cut Turkey's rating, another minister vowed that the agency

would "definitely not get away with this" and demanded to know who was paying it to downgrade Turkey's rating and why.

The government's line remains consistent - rating agencies fail to perceive the true dynamism of Turkey's economy, which goes from strength to strength. Is that clear?

Short break

Marcelino Oreja, the loquacious Spanish commissioner in Brussels, must be praying that EU leaders wrap up a Maastricht II treaty at next month's summit in Amsterdam.

For the past 15 months, Oreja has been taking part in negotiations on the future of the Union in the so-called IGC, ably supported by his two advisers Michel Petite and Nigel Evans.

But by a strange quirk of fortune, both officials are heading to Boston for extended sabbaticals. Petite to the Centre for International Affairs at Harvard and Evans to the Fletcher School of Diplomacy.

Petite, a cerebral figure who made his reputation as an adviser to Jacques Delors, the former president of the Commission, seems determined

to leave Brussels on time.

He lost out narrowly on a promotion to director-general working for Sir Leon Brittan, the EU trade commissioner. And although he has been mentioned as a possible head of the 100-plus Commission task force on enlargement, the job is more likely to go to Francois Lamoureux, his French colleague. Taking time out in the US looks a good way to avoid a post-Maastricht move sideways.

Evans is also said to be keen to clear his head after the mind-numbing IGC negotiations. One of the wittier Eurocrats in town, he is one of the few people to be able to cut through Brussels jargon whether in English or French.

This has never been Oreja's great strength, despite his mastery of the detail of the negotiations.

No Oskars

New Labour's victory has left a bitter aftertaste for keen party-goer Oskar Lafontaine, the leader of Germany's Social Democratic Party.

In the post-poll euphoria of last Friday, his office rushed out a statement saying that his loving Oskar and his entourage had accepted an invitation to a Labour celebration party in London this coming weekend at

which he would meet Tony Blair.

Sadly, the invitation turns out to have been a hoax perpetrated by a smooth talking, English-speaking prankster who called SPD headquarters in Bonn posing as a member of the jamboree's organising committee.

After some belated due diligence, the SPD has issued a rushed press release, headed "much ado about nothing", noting that Labour's celebrations were held on election night and acknowledging that it fell for a "new variety of black humour".

New Labour, new humour. Whatever next?

Cyber gold

They think it's all over... it is now. Now that the "world's biggest gold deposit" in Indonesia has turned out to be a figment of virtual reality, Bre-X Minerals has decided it no longer needs to promote its prospects over the Internet. The Canadian exploration company has pulled the plug on its web site, which had carried a priceless trove of photos from Borneo and a selection of analysts' reports and press comments judiciously chosen for their optimistic tenor. "It's no longer relevant", Bre-X explained in Calgary.

Financial Times

100 years ago

South African Railways
The proposal to hold a railway conference to consider Johannesburg's demands for the reduction of railway rates, transit dues and Customs dues on goods for the Transvaal from Maritime States has fallen through. There has been a lot of talk, a lot of correspondence, a lot of cheap profession of sympathy with the Rand and its burdens, but the end of it all is that nothing is to be done. The Cape, which originally proposed the Conference, is anxious to do what it can in the matter, but Natal and the Free State hold aloof.

50 years ago

Portugal's Car Imports
Portugal imported more than twice the number of motor-cars from the United Kingdom than from any other country last year. Of the total of 4,336 passenger cars imported into the country, 2,333 were British, the United States being the second largest supplier with 1,008 cars. At Oporto's motor-car and aircraft show 18 of the 44 exhibitors are British. The car exhibition, claimed to be bigger than the recent Paris show, has a cinema specially installed by the British Information Services.

Japan is set to clear way for stock options

By Gillian Tett in Tokyo

Japan's parliament is poised to pass legislation today that for the first time would permit companies to offer stock options to employees. An important parliamentary committee threw its support behind the scheme yesterday.

Stock options are, in effect, banned under Japan's current commercial code, but parliament's likely backing for legal changes approved by its judicial affairs committee is expected to prompt several leading Japanese companies to unveil stock option schemes in coming weeks.

Traditionally, sales performance has been the key determinant of Japanese managers' pay, but the likely introduction of stock options, a common executive perk with US and UK companies, could refocus corporate Japan's attention on share prices.

Japanese companies rarely pay the same degree of attention as US counterparts to share price levels because the bulk of their shares are held

Change could shift corporate focus from sales to share prices

by friendly business partners - making predatory threats rare. Daiwa this week became one of the first of the big securities companies to indicate its interest in stock options for employees. It said it would ask shareholders to approve a scheme next month. Its shares rose ¥20 (15 cents) yesterday to close at ¥900, partly because of this, analysts said.

Last month shares in Toyota rose after the car manufacturer hinted it was considering a share option scheme.

Mr Masaya Miyoshi, director general of the Keidanren, Japan's employers' federation, yesterday suggested that about a dozen leading companies might indicate their support for the schemes during the course of the summer. "These will probably be the big well-known names," he said.

Nevertheless, it remains unclear whether the big companies' interest will be matched by smaller Japanese groups, partly because the tax implications of stock options remain uncertain. The Keidanren is stepping up its lobbying for broader changes in the tax laws to ensure that companies are not penalised if they introduce stock options. "The tax question will be very important," Mr Miyoshi said.

Stock option schemes offer employees and executives the chance to buy shares at a fixed price within a certain period. They have long been popular in the UK and US because they encourage managers to take an interest in the performance of the company, as reflected in the share price.

Some Japanese companies have circumvented current law by issuing bonds with warrants - which give a right to purchase shares at a preferential price - then buying in the warrants and issuing them to executives.

Editorial Comment, Page 13

Switzerland aided Nazi war effort, says US report

By Bruce Clark in Washington and William Hall in Zurich

Switzerland and other neutral nations boosted the Nazi war machine by accepting looted gold and trading with Germany, according to a US government report released yesterday.

The keenly awaited report, which follows the most intensive investigation of documents in the US national archives ever undertaken, deplores the behaviour of neutral countries during and immediately after the war.

But the study, launched under pressure from Jewish groups, which have threatened to boycott Swiss banks unless they acknowledge their wartime role, finds fault with the US and its allies.

Mr Flavio Cotti, Switzerland's foreign minister, said the report was an "important contribution" to the investigations into the period.

The fact that Switzerland and other neutral states "pursued vigorous trade with the Third Reich had the clear effect of supporting and prolonging Nazi Germany's capacity to wage war," said Mr Stuart Eizenstat, who co-ordinated the study by 11 US government agencies.

The subject of the report is described as "one of the greatest thefts by a government in history" - the confiscation by Nazi Germany of \$800m worth of gold from central banks in the countries it occupied, plus undetermined amounts stolen from individuals.

In March 1945, only days after promising the Allies to freeze German assets and stop trading in German gold, the Swiss government made an agreement with the German central bank that reversed this pledge, the report finds.

In negotiations after the war, the Swiss government's stance was "inexplicable" and "obdurate", reflecting its "unwillingness to embrace allied proposals to turn German assets... to the benefit of ravaged Europe and stateless victims of the Holocaust".

Other neutral countries, such as Spain, Portugal and Turkey, were also unhelpful in post-war negotiations, although Sweden was co-operative, the report says.

Swiss authorities do not believe there is enough evidence to warrant allegations that the Swiss National Bank bought gold from Germany which contained gold melted down from Holocaust victims.

Mr Cotti said that if the evidence was true then it was "grave news of the most shocking nature".

Allies mixed up 'victims' gold', Page 2

THE LEX COLUMN

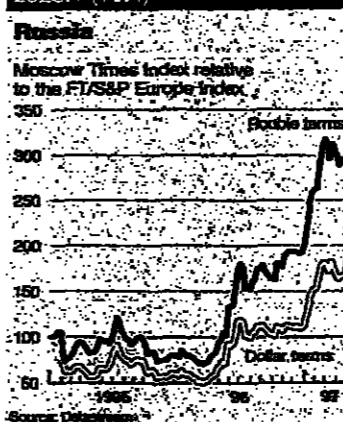
Starchy diet

When Imperial Chemical Industries spun off Zeneca four years ago it did its shareholders a good turn but ripped the backbone out of its own business. Yesterday's £4.9bn (\$7.9bn) purchase of Unilever's speciality chemicals division puts it back again. With steady, high-margin earners like National Starch onboard, a suitably stiffened ICI will be better placed to stand up to the gales of the bulk chemical cycle.

For such a strategic acquisition, ICI is paying a very strategic price. Assuming revenue growth of 8 per cent, steady margins and cost savings of perhaps \$30m, the acquired businesses will produce after-tax free cash flow of around \$280m in their first full year - a return of just 5% per cent on the \$4.9bn price tag. That figure falls well short of ICI's own weighted average cost of capital (WACC), even allowing for the fact that, by funding the acquisition entirely with cheaper debt, the group's WACC drops from 11 per cent to around 9 per cent.

The question is whether ICI can close this gap in other ways. Under a new parent, the acquired businesses should be able to increase sales to Unilever rivals like Procter & Gamble. They should also bring much-needed marketing flair and more international culture to old ICI - a transformation by which Mr Charles Miller Smith, ICI's chief executive and an ex-Unilever man, sets great store. And the group could unlock significant value through its \$3bn disposal programme, by selling poorly-performing bulk chemicals businesses. While the numbers suggest that ICI has overpaid, having taken such a bold step the management deserve a chance to make their case.

FTSE Eurotrack 200: 2328.7 (+0.4)



Source: Citigroup

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IN BRIEF

Viacom posts \$19m net loss

Sharp declines in operating income at three of Viacom's four core divisions drove the entertainment group into a first-quarter net loss of \$19m, compared with earnings of \$26m last year. Page 18

Endesa ends partnership with BCH
Endesa, the dominant Spanish electricity group, has ended a wide-ranging industrial partnership with Banco Central Hispano, the big domestic retail bank. Page 17

CNA posts investment income fall
A significant fall in investment income forced CNA Financial, the largest US corporate insurer, to announce first-quarter profits significantly below analysts' expectations. Page 18

Complex loan for Chinese metals group
Credit Lyonnais has arranged a \$180m 10-year loan to China's state metals company - the longest-term syndicated loan extended to a Chinese corporate borrower. Page 23

Microsoft to acquire Dimension X
Microsoft announced an agreement to acquire Dimension X, a San Francisco developer of Java programs used to create interactive features for multimedia Internet Web pages. Page 18

PolyGram clinches Alan Parker deal
PolyGram, the Dutch entertainment group, has expanded its film production interests by clinching a "first-look" deal with Alan Parker, the British director of *Sugar*. Page 17

Australia's airports set for takeover
US and European airports operators are set to take over Australia's airports in the first tranche of a privatisation programme. Page 16

Airbus Industrie not profits fall
Net profits of Airbus Industrie, the European consortium, fell last year to DM707.5m (\$411.2m) from DM854.6m in 1995. Page 17

Peter Sutherland to be BP chairman
Mr Peter Sutherland, deputy chairman of British Petroleum, is to succeed Sir David Simon as non-executive chairman, following Sir David's appointment as a minister in the UK's Labour government. Page 21

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| FTSE Gold index | 22 | US interest rates |
| FTSE 100 int'l bond | 22 | World Stock Markets |

| Chief price changes yesterday | | |
|-------------------------------|-------|--------|
| FRANKFURT (DEM) | | |
| Alcoa | 153 | + 4.5 |
| Almazay Rosell Saliba | 519.5 | + 11.5 |
| Anglo American | 178 | + 4.4 |
| Asociados | 450.5 | + 7.5 |
| Auchan | 676.5 | + 15.5 |
| BAA | 1178 | + 28 |
| NEW YORK (\$) | | |
| Alcoa | 1994 | + 194 |
| Almazay Rosell Saliba | 3794 | + 394 |
| Anglo American | 28 | + 2 |
| Asociados | 994 | + 194 |
| Auchan | 47 | + 9 |
| BAA | 3584 | + 358 |
| LONDON (Pence) | | |
| Alcoa | 75794 | + 48 |
| Almazay Rosell Saliba | 15994 | + 12 |
| Anglo American | 289 | + 414 |
| Asociados | 10894 | + 13 |
| Auchan | 2894 | + 13 |
| BAA | 19294 | + 28 |
| TORONTO (\$C) | | |
| Alcoa | 735 | + 0.8 |
| Almazay Rosell Saliba | 735 | + 1.5 |
| Anglo American | 315 | + 0.7 |
| Asociados | 185 | + 1.5 |
| Auchan | 165 | + 0.5 |
| BAA | 65 | + 0.5 |
| PARIS (FFr) | | |
| Alcoa | 374.5 | + 7.5 |
| Almazay Rosell Saliba | 682 | + 16 |
| Anglo American | 525 | + 15 |
| Asociados | 595 | + 24 |
| Auchan | 1352 | + 82 |
| BAA | 880 | + 20 |
| TOKYO (Yen) | | |
| Alcoa | 652 | + 27 |
| Almazay Rosell Saliba | 605 | + 26 |
| Anglo American | 957 | + 25 |
| Asociados | 388 | + 24 |
| Auchan | 685 | + 29 |
| BAA | 824 | + 35 |
| HONG KONG (HK\$) | | |
| Alcoa | 8.1 | + 0.6 |
| Almazay Rosell Saliba | 33.0 | + 0.7 |
| Anglo American | 33.5 | + 1.9 |
| Asociados | 37.5 | + 1.1 |
| Auchan | 6.15 | + 0.4 |
| BAA | 22.75 | + 1.15 |
| HONG KONG (HK\$) | | |
| Alcoa | 17.5 | + 1.5 |
| Almazay Rosell Saliba | 55.0 | + 5.0 |
| Anglo American | 57.0 | + 5.0 |
| Asociados | 41.5 | + 0.5 |
| Auchan | 78.5 | + 0.5 |
| BAA | 33.25 | + 7.5 |

Toyota announces new Euro-car

By John Griffiths in Brussels

UK is still in the running to get 200,000 capacity plant

Toyota is developing "a completely new kind of small car for the European market" which is likely to start production at a European plant in 2001, Mr Hiroshi Okuda, the company's president, said yesterday.

A decision by Japan's largest car maker on whether to go ahead will be taken in mid-1998. A number of possible European factory sites - including a third phase of expansion at Toyota's Burnaston plant in the UK - are still under consideration.

Mr Okuda refused to indicate a preferred location to

build the car, which would be produced at an annual rate of up to 300,000 a year.

Toyota would need to spend an estimated extra \$500m with European component suppliers. Most of the beneficiaries would be the 200 component-makers supplying the Burnaston plant in Derbyshire.

"We are well satisfied with our relationship with most of our British and European suppliers and would want them to continue," said Mr Okuda.

He was in Brussels to unveil a new version of the Corolla, a

Ford Escort-sized family car which goes into production alongside the existing Carina E model at Burnaston next year after an investment of £200m (\$320m).

Mr Okuda disclosed a higher production target for Burnaston of 220,000 cars a year - more than double the present output of 100,000 Carinas - after the Corolla comes on stream.

He also confirmed that the company would invest a further £50m at its engine plant on Deeside, North Wales,

increasing capacity by more than 50 per cent to 200,000 units a year.

Sites throughout western and central Europe have been examined for the new small car. Unlike the decision to locate at Burnaston, where Toyota made it clear that the availability of aid was not a factor in its choice, this time the company is understood to be planning to take advantage of financial aid where it is offered, subject to other criteria being met.

Mr Okuda insisted, however,

that Toyota was not ready to start considering detailed packages of proposed aid.

At the top of the list of criteria was access to a flexible and capable labour force, able to produce high-quality vehicles.

Whether or not a country was signed up to a European single currency was "near the bottom of the criteria", he added.

This is a reference to Toyota's indications earlier this year that it might be favourably influenced by a country's membership of European Mon-

etary Union in future investment decisions. Mr Okuda stressed that the Labour party's election victory in the UK, and its less hostile approach to Europe, had produced "no major change of policy" towards possible further investment in Britain.

Despite intense pitches for the production site for the new car by a number of countries, including France, British Department of Trade officials believe the UK has not been ruled out of the running.

However, Mr Okuda said he had never heard of a £100m "sweetener" which some reports had suggested was being put forward by the UK.

Cost-cutting helps airline post first positive figure for period

Lufthansa records quarterly profit of \$11.6m

By Graham Bowley in Frankfurt

Lufthansa yesterday presented evidence of success in its drive to cut wage costs as it posted its first ever first-quarter profit despite a 37 per cent surge in fuel prices.

The German airline last year set out to cut costs by DM1.5bn (\$87bn) or 15 per cent by 2001, a move which prompted warning strikes until a more flexible wage deal was agreed.

Mr Jürgen Weber, chairman, said the cost-cutting had reduced personnel expenses by 0.6 per cent following a 6.6 per cent rise during 1996.

Lufthansa recorded a DM20m pre-tax profit in the first quarter, compared with a DM49m loss in the same period a year earlier. Turnover rose 8.5 per cent to DM5.5bn.

Mr Weber said: "Had it not been for job cuts in the second half of last year, capacity adjustments, cuts in expenditure and many other measures, we would not have absorbed the additional burdens" of a rising fuel prices and a lower D-Mark.

Lufthansa continued to make a loss in its home market. It said its better overall performance was largely due



Firm hand: Lufthansa chairman Jürgen Weber announces first-quarter profits yesterday. Picture: AP

to stronger transatlantic business, where volume had increased 23.2 per cent. Mr Weber expected sales for the full year to top last year's DM20.9bn. Profits before tax last year were DM686m, 9.3 per cent down on 1995.

Mr Weber said competition was intense but the company was enjoying "growth rates in some areas which we have never had before in the

history of Lufthansa". However, some analysts were suspicious that buoyant figures may have been inflated by extraordinary items.

Mr Weber said the airline's alliance with SAS, the Scandinavian airline, had produced substantial synergies. Lufthansa was seeking a new partner in Asia, to be announced "in the course of this year". It

already has an alliance with Thai Airways.

Mr Klaus Schiede, chief financial officer, said the group's freight business was "at last showing an improvement" in its earnings performance. It made a record loss before tax of DM60m last year but losses were now lower.

The airline plans to pay an unchanged dividend of 50 pfennigs.

Dalgety to cut dividend after profits warning

By David Blackwell

Dalgety, the UK petfood and agribusiness group, is to cut its dividend by a third after warning yesterday that second-half profits would fall to match the \$43m (\$70m) in the first six months.

It blamed problems caused by BSE or mad cow disease, the strength of sterling and production problems.

The group announced provisions totalling £36m, mainly to cut petfood manufacturing costs. Sterling's strength is expected to knock about £2m from this year's profits, which analysts are now expecting to be £30m-£35m.

A year ago the market had expected profits for this year, ending on June 30, to be about £130m.

The shares fell 414p to 269p, raising questions over the group's vulnerability to a takeover bid. Among international groups known to be interested in expanding their petfood business are Nestlé and Heinz.

Analysts were critical of the company's performance. "Petfood has been a complete disaster," said one. "It's not a sales problem, but a failure to get production right."

Mr Nigel Garrow has resigned as chief executive of the petfoods division, which has been plagued by production problems since the \$42m purchase of Quaker's European operations two years ago. The problems have been exacerbated by the BSE crisis,

which led to a ban on the export of UK meat products.

Mr Garrow has been replaced by Mr Hugh Donaldson, who has experience in reorganising manufacturing operations at ICI and Zeneca.

Mr Donaldson was called in as a consultant in March by Mr Richard Clothier, chief executive, and Sir Denis Henderson, the former ICI chairman who became Dalgety chairman last December.

Mr Clothier said the group was now two to three years behind on its plans to become the second largest European petfood producer. But the objectives were "still achievable, albeit rather late".

He said the group had underestimated the task of integrating the Quaker business. BSE had then "struck at the most inconvenient moment".

Three inefficient continental plants had been closed last year, and the group was relying on the UK for surplus capacity. But breakdowns at a major UK plant had meant shifting production to meet customer demand at a cost of £2m in the third quarter.

Among quoted food and agribusinesses, Dalgety has been hardest hit by BSE because of the impact on its two main divisions, petfoods and agricultural feeds.

The company said the final dividend will be not less than 6p, cutting the total from 22p to not less than 14.5p.

North American investors take brunt of Bre-X losses

By Bernard Simon in Toronto

North American institutional and retail investors appear to be the main victims of the gold hoax perpetrated at Bre-X Minerals' Busang site in Indonesia.

But Canadian securities firms, some of which face criticism for aggressively promoting Bre-X shares, are expected to weather their losses without serious problems, according to the Canadian Investment Dealers Association.

Bre-X shares lost almost all their value this week after confirmation that Busang contained virtually no gold. They were trading yesterday at 9 cents, having reached a peak last May of C\$28.55.

Several investors have disclosed substantial losses. The Caisse de dépôt et placement du Québec, a public sector pension fund, estimated its loss at about C\$70m, but the pain appears most severe among small investors, many of whom were urged to invest by analysts and salesmen.

Mr Tony Beale, director of Moss Lawson, a Toronto securities firm, predicted: "There are going to be a lot of personal bankruptcies. A lot of people ill-advisedly borrowed money, with little or no knowledge of the stock market."

Precious metal mutual funds typically had between 1 and 6 per cent of their holdings in Bre-X. The unit price of a Toronto-Dominion Bank fund has tumbled 22 per cent since late March.

Among securities dealers, First Marathon, one of the most active traders of Bre-X shares, disclosed it lost C\$4.5m from what it called "a pretty aggressively managed" fund.

Dealers also face losses from calls on clients who bought shares on margin. But Mr Greg Clarke of the IDA said firms with large exposures were generally those with the strongest balance sheets. He said there were no solvency concerns, based on a survey in March when firms were advised to value Bre-X holdings at zero. First Marathon said its position was "very manageable".

Investors' ire has been directed mainly at Nesbitt Burns, whose gold analyst was a Bre-X cheerleader.

President bears profited, however. Oppenheimer & Co, the US securities house, said it gained about C\$10m recently by selling the shares short.

Observer, Page 18; Fall-out from Bre-X, Page 20

Beijing warms to Jardine

By John Fiddling in Hong Kong

China's top economic official yesterday met the chairman of Jardine Matheson in Beijing's leadership compound, signalling a warming of relations with the British-backed Hong Kong conglomerate.

The meeting between Mr Zhu Rongji, senior vice-premier in charge of the economy, and Mr Henry Keswick was an attempt to reassure Jardine and other international companies that business would be unaffected by Hong Kong's return to China in July.

"If they are giving this kind of respect to Jardine, which is a symbol of corporate colonialism, then they are sending a

broader signal to the business community," said one European investment banker.

He added that while Beijing has adopted an uncompromising stance on the political issues arising from the transition, it has been eager to bolster business confidence.

Speaking after the meeting in the Zhongnanhai compound, Mr Keswick gave an upbeat assessment of his talks with Mr Zhu. "He welcomed our range of activities and numerous joint ventures in China," he said. "His interest in the development of our Hong Kong businesses was positive and encouraging."

The Jardine chief also met Mr Lu Ping, China's top official on Hong Kong affairs. Earlier this year, Mr Lu said that Jardine Matheson would be given equal treatment in its mainland dealings, clearing the way for the group's participation in securities and infrastructure contracts.

Mr Alasdair Morrison, managing director, who was also at the talks, said the group was committed to expanding in Hong Kong and the mainland.

These signals mark a sharp change from the early 1990s, when Chinese officials criticised Jardine for its support of the Governor Chris Patten's political reforms and its decision to de-list from the Hong Kong stock market.

Wallflower Swire to join the party, Page 16

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COMPANIES AND FINANCE: ASIA-PACIFIC

Business surges at Nomura pensions arm

By Gillian Tett in Tokyo

Japan's largest pension fund manager, Nomura Investment Management (Nimco), experienced a surge in business last year as Japanese companies became more discriminating about the way they invest their pension funds.

Funds under management at the group soared from around ¥2.730bn at the end of March 1996 to a provisional ¥3.644bn (\$29.4bn) a year later, senior officials said yesterday.

The results highlight the increasing power that group such as Nimco are acquiring in Japan's vast pension fund sector, as companies become more market-oriented in making investment decisions for their pension assets.

Nimco's presence in the financial services sector is set to become even stronger, as it plans to merge with Nomura Investment Trust, the mutual fund arm of the Nomura group, later this year.

Nimco is linked with Nomura

Securities through cross-shareholdings, but stopped using it as a broker earlier this year after it became tainted by scandal. Nimco has subsequently been at pains to stress its independence.

The surge in business also illustrates the pressures on Japan's life assurance sector, which recently saw the first closure of a company - Nissan Mutual - since the second world war.

As Japanese companies increasingly move money out of the trust banks and life assurance companies in which they have tradition-

ally placed their assets, weaker life groups such as Nissan Mutual have been hurt.

Information on where Japanese companies are placing their pension assets is elusive, as most of the investment adviser groups and pension fund managers are not listed and levels of disclosure are poor.

However, data on the life assurance sector to be published later this summer is expected to show that the industry lost about ¥7,000bn of assets from its general accounts last year, as companies

moved their money into new investment vehicles.

Some of the money is believed to have gone into trust banks and other affiliates of the life assurance groups, but a large part of it also appears to have been moved into the investment adviser sector.

This sector has only recently emerged as a force in Japan and controls only a tiny part of the ¥240,000bn pension system, but it has been growing fast.

Provisional data suggest that discretionary pension funds man-

aged by the investment adviser sector rose from ¥4,925bn at the end of March 1996 to ¥11,532bn a year later.

In addition, advisory pension funds managed by investment advisers rose from ¥1,912bn to ¥2,192bn in the same period.

Nimco sees this trend continuing. It expects its own pension fund portfolio to grow by about ¥300bn every six months. Mr Luke Katayama, a director of Nimco, said: "Companies are looking for higher-performing money managers when they can."

China Unicom eyes HK Telecom

By John Ridding and Louise Lucas in Hong Kong

China Unicom, China's second state-owned telecommunications company, has expressed an interest in taking a stake in Hongkong Telecom, fuelling speculation about a share restructuring in the territory's dominant operator.

Speaking after a conference in Hong Kong, Ms Li Hui, president of China Unicom, said the company had held talks concerning co-operation with Hongkong Telecom and was interested in acquiring a stake. However, any purchase must be decided by China's state council.

Ms Li's comments came after a sharp rise in Hongkong Telecom's share price on Tuesday.

They follow frequent reports that Cable & Wireless, the operator's controlling shareholder, will reduce its stake ahead of Hong Kong's return to China in July. Hongkong Telecom faces pressure given its dominant presence in a strategic industrial sector.

However, the company has declined to comment on prospects for a capital restructuring. Cable & Wireless has also played down reports of a shake-up.

Citic Pacific, on the other hand, the Hong Kong arm of Beijing's flagship investment vehicle, has said it is reviewing holding its 8 per cent stake in Hongkong Telecom. The conglomerate, which has acquired strategic stakes in several Hong Kong industries, is also a shareholder in China Unicom.

Despite its powerful backers, analysts expressed scepticism about whether China Unicom could afford a stake in Hongkong Telecom. "They don't have any cash," said Mr Jeff Camp, at Morgan Stanley.

The company is also facing resistance to its expansion plans from the Ministry of Post and Telecommunications, the main Chinese telecoms concern.

One telecoms analyst at a European bank said there were few mainland-backed companies in a position to buy a significant stake in the Hong Kong operator. "With a market capitalisation of more than HK\$152bn (US\$19.62bn), any partner would need pretty deep pockets or a pretty ingenious deal," he said.

"The problem for investors and for the business community arises if there is a forced deal or a deal on unfavourable terms for C&W," he added.

Wallflower looks forward to joining the party

Swire has underperformed the HK market by 15% this year while shares in China-backed companies have surged

Swire Pacific might seem to investors like a wallflower at a wild party. While shares in China-backed companies have surged, ahead of Hong Kong's handover, the blue-chip conglomerate has underperformed the Hang Seng index by more than 15 per cent since the beginning of this year.

In Hong Kong's volatile market, executives and analysts caution against reading too much into share price swings. But the message from the market raises important questions. Is the market's judgment justified by Swire's performance and prospects? And, more broadly, does it signal tougher times ahead for UK-backed groups after July's return to China?

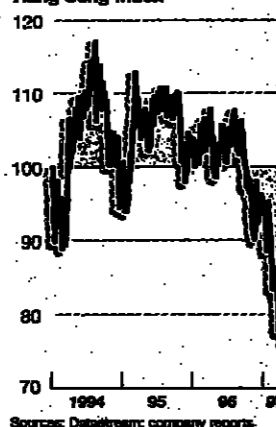
"We are not in favour of the month," says Mr Peter Sutch, chairman. But he points to steady progress. In 1996, Swire achieved net profits of HK\$7.65bn (US\$987m) - a rise of almost 20 per cent. Excluding exceptional items, the increase was 10 per cent, which was still at the top of market expectations.

"We remain on track to continue the sort of performance of the past 10 to 12 years," Mr Sutch says, referring to average annual dividend growth of more than 10 per cent.

The group has sharpened its focus - removing non-core businesses from the main divisions of property,

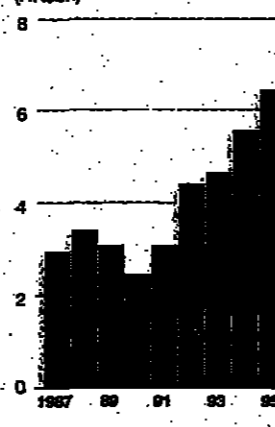
Losing favour

Share price relative to the Hang Seng Index

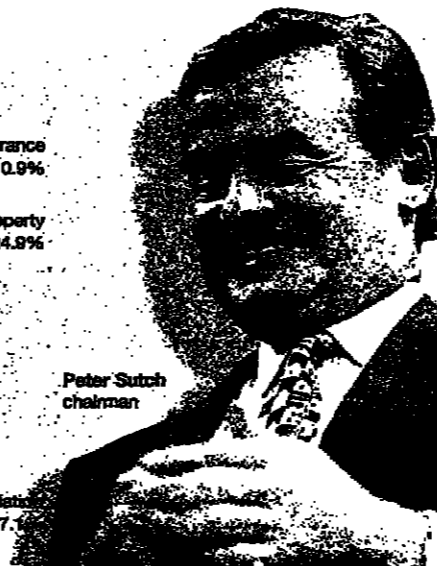


Source: Datastream; company reports.

Net profit (HK\$bn)



Turnover by division



Peter Sutch chairman

aviation, industries and trading, and withdrawing from insurance underwriting. That may seem unexciting, but it follows a landmark restructuring of its aviation interests last year, in which Swire and mainland groups positioned themselves for the period after the handover.

Last month, the group surprised the market by announcing a HK\$25bn property development project in partnership with Sun Hung Kai.

That deal was welcomed by the investment community. "It gives them a big chunk of land which will underpin property development sales past 2000, and

eases concerns about the depletion of the land bank," says Mr Anil Daswani, analyst at Salomon Brothers.

Like a number of other analysts, Mr Daswani is upbeat about Swire's prospects. "They may be a bit conservative, but they are an extremely well-managed company," he says.

Complaints that the group has not been aggressive enough on the mainland, he argues, are not justified. "They have been active in their industries division, and they have done well to be out of property," he says, referring to the property glut across the border.

Mr Nam Pak, analyst at ING Barings, argues that the

underlying business prospects at Swire are stronger than at Jardine Matheson, its rival UK-backed conglomerate. Others claim that Swire has played a good hand in preparing for Chinese rule.

While Jardine was long ostracised by Beijing for its backing of Governor Chris Patten's democratic reforms, and Hongkong Telecom remains buffeted by speculation concerning the majority stake held by Cable and Wireless, Swire Pacific has built an alliance with Citic Pacific, the Beijing-backed conglomerate.

Citic now holds 25 per cent

of Cathay Pacific, the territory's de facto flag carrier, and is involved in bottling and property projects. For Swire, which retains a 44 per cent stake in Cathay, the deal resolved a politically sensitive dilemma with relatively little pain, removing a cloud for investors.

"Longer term, there are still question marks about the stability of the pact, and whether Swire can remain as the biggest shareholder," says one aviation analyst. "But the deal cleared the air, so to speak, and lets investors focus on fundamentals."

That focus, however, still appears obscured. Assuming net profits of HK\$9.25bn in 1997 and HK\$10.1bn the fol-

lowing year, ING Barings says the company is trading at a single-digit price/earnings ratio.

While shares in Hutchison Whampoa, the conglomerate controlled by Mr Li Ka-shing, trade at about their net asset value, and Citic Pacific is at a substantial premium, Swire trades at a discount of more than 20 per cent.

Part of the reason lies in lingering concerns about prospects in the aviation sector and the company's strategy of gradual expansion on the mainland.

But it is also hard to avoid the UK connection in the share price performance. "There is no doubt about it,"

Mr Sutch says. There is a perception, the Swire chief admits, that UK companies will find life harder under the Chinese flag.

Swire is not alone: Jardine Matheson's shares have underperformed the Hang Seng index by 17 per cent this year. But it is a perception that clearly bothers Mr Sutch.

"I think it is wrong," he says. "I get quite irritated by the suggestion that we always had the key to the back door of Government House. That is not the way that Hong Kong works and it is not the way we work as an organisation."

Nor, he believes, is it the way the territory will operate after July.

"It is like so many other things in Hong Kong. Around the world everybody is looking at what could theoretically go wrong and haven't looked at the track record of what is actually happening," he says, responding to concerns about forced deals and the risk of a mainland tilt in the business playing field.

Perceptions, however, can be hard to adjust. "It could be several months into the new administration before the penny drops that nothing is changing," he says.

That leaves Mr Sutch looking forward to the handover. Swire Pacific might then be able to join the party.

John Ridding

Thailand to buy Natuna gas

By Ted Bardacke in Bangkok

State-owned Petroleum Authority of Thailand (PTT) is set to buy 500m cu ft of natural gas a day from Indonesia's huge Natuna offshore gas fields, while an affiliate company PTT Exploration & Production will take an 11-15 per cent stake in the project.

Gas purchases will begin

in 2005 and will be doubled two years later, according to Mr Korn Dabbaransi, Thailand's industry minister. An option to increase the amount to 3bn cu ft a day is being discussed. Price negotiations are continuing, but Thailand plans to buy the gas at the platform, with PTT expected to construct an undersea pipeline to transport the gas.

The Natuna fields in the

South China Sea are thought to be one of the largest gas developments in the world, with an estimated 46,000bn cu ft of commercially recoverable gas.

Development cost has been estimated at between \$20bn and \$40bn. Exxon, of the US, holds a 50 per cent stake in the project with Mobil holding 26 per cent and Pertamina of Indonesia the remainder.

Australia airports to raise A\$3.3bn

By Nikki Taft in Sydney

US and European airports operators are set to take over Australia's airports in the first tranche of a privatisation programme announced yesterday.

The US-based Airports Group International, BAA of the UK, and the Dutch Schiphol group were among the winning consortia for the Melbourne, Brisbane and Perth properties.

Australia's federal government will raise a total of A\$3.37bn (US\$2.62bn) from

the first tranche. Mr John Fahey, federal finance minister, admitted the prices were substantially higher than the government had expected. "We are very, very pleased... it wasn't within our expectations in the lead-up to [the sale]," he said.

Initial estimates had suggested a price-tag of only A\$2bn for the three facilities plus the larger Sydney airport, which was eventually excluded from the first tranche of the sale.

The highest successful bid

was A\$1.387bn, paid by the Brisbane Airport Corporation. BACL is made up of Schiphol, Australia's Commonwealth Bank, the Port of Brisbane, the local city council, and Commonwealth Financial Services, CBA's fund management arm.

Australia Pacific Airports made a successful A\$1.307bn offer for Melbourne's Tullamarine airport. APAC comprises the AMP Society, Australia's largest life office (49.9 per cent), Axiom Funds Management (25 per cent) and BAA (25.1 per cent).

Hastings Funds Management, a local infrastructure investment specialist, is also expected to acquire a 10 per cent stake in APAC from BAA, reducing the latter's holding to 15.1 per cent.

Perth airport was bought by Airstralia Development Group - which comprises Infratil, an infrastructure company, with 49 per cent, AGF with 16 per cent, and Hastings with 35 per cent - for A\$543m. The group's backers include Lockheed Martin, Soros Capital, GE Capital and SunAmerica.

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May 8, 1997 Deutsche Bank AG

The Financial Times plans to publish a Survey on
Hong Kong & China
on Monday June 16

The handover of Hong Kong to China will be one of the most closely watched world events of 1997. This survey will examine how Hong Kong will emerge from its new future, how China will handle the challenges of taking responsibility for 6 million capitalist citizens, and how it marks the end of an empire for Britain.

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مركز الأبحاث

COMPANIES AND FINANCE: EUROPE

Endesa ends partnership with BCH

By Tom Burns in Madrid

Endesa, the dominant Spanish electricity group due for further partial privatisation later this year, has ended a wide-ranging industrial partnership with Banco Central Hispano, the big domestic retail bank.

The two agreed two years ago to invest jointly in the telecommunications and power sectors, but the break-up of the alliance was precipitated by rival bids for Retevisión, the planned

second domestic telecoms operator.

The split underlines the growing aggressiveness of the cash-rich power group. Following senior management changes earlier this year, Endesa is now styling itself as an integrated industrial group open to alliances in sectors such as water treatment and gas, as well as telecoms.

The shake-up is designed to increase shareholder value in advance of the sale of half the government's 66

per cent stake in Endesa. The issue is valued at Pta750bn (\$5.2bn), the biggest disposal of state-owned equity in Spain.

In the battle to acquire Retevisión, BCH is leading a consortium that includes France Telecom, Deutsche Telekom and Sprint, of the US. Endesa has joined forces with Stet, of Italy, to prepare a competing bid. Both consortia received access to Retevisión's full documentation yesterday, along with a third group composed of

AT&T, of the US, and Germany's Mannesmann.

The three potential bidders have until next Monday to declare the composition of their final shareholder structure, and until June 9 to enter their bids.

The government has set a minimum price tag of Pta45.6bn for 60 per cent of Retevisión. The group that acquires control will have to subscribe to a Pta25.3bn rights issue to take its stake to 70 per cent.

During their partnership,

Endesa and BCH became important shareholders in Airtel, the domestic mobile telephony operator. Speculation that Endesa and BCH would merge their Retevisión bids ahead of Monday's deadline has been dismissed by the power group.

Mr Rafael Miranda, Endesa's new chief executive, said yesterday that a last-minute agreement to make a joint offer for the operator would be "very difficult".

"We are reconsidering the whole agreement [with BCH]

because it no longer has any content," Mr Miranda said. "In the telecoms sector we are going in different directions, and we want the break to be peaceful."

Stet was chosen by Endesa as a partner for the Retevisión bid because the Italian company valued the power group's fibre-optic network more highly than did France Telecom, BCH's main partner. Mr Miranda said that the difference in the valuation was "in the three-to-one range".

EUROPEAN NEWS DIGEST

Equities sales bolster Merita

Merita, the Finnish banking group, yesterday reported first-quarter earnings up sharply on the same period last year, but bolstered by gains from equities sales. Operating profits after credit losses were Fm834m (\$183m), up from Fm233m a year ago. The results were boosted by a Fm584m gain on the reduction in the company's equity portfolio, by Fm2.6bn to Fm4.3bn. Merita said net income from securities trading rose from Fm295m to Fm854m a year earlier. The total includes income from own-account securities trading not related to its portfolio sales. The bank also cited lower costs as a factor in the profits surge. Agencies, Helsinki

Ina raises dividend 18%

Ina, parent company of Italy's second largest insurance group, announced an 18 per cent rise in its dividend this year to L65 a share, on the back of a 12.8 per cent rise in 1996 gross profits to L837bn (\$490m) compared with L745bn in 1995. Net profits rose 6.4 per cent to L421bn reflecting higher tax charges. Paul Betts, Milan

Aids payout put at DM460m

Bayer, the German pharmaceuticals company, said yesterday its DM460m (\$270m) compensation payout to surviving Aids patients and the families of Aids victims would be covered by insurance and earlier provisions, and would not affect profits. It said an agreement would be struck this week on the Aids cases, which arose when about 6,000 people were infected by contaminated blood products between 1978 and 1985. Three other companies - Baxter International of the US, Rhone-Poulenc Rorer, the US unit of Rhône-Poulenc of France and Alpha Therapeutics - are also involved in the case. Graham Bowley, Frankfurt

Deutsche Postbank chief quits

Deutsche Postbank, the German postal savings bank, yesterday confirmed that Mr Günter Schneider, chairman, had resigned ahead of schedule. He will be replaced by Mr Dieter Boening, of DSL-Bank. Mr Schneider's departure is thought to be a protest at the terms of an agreement for the bank to use the counters of the German postal service. Mark Mulligan

Investment banking grows at ABN Amro

By Gordon Cramb in Amsterdam

ABN Amro, the Netherlands' biggest bank, relied on investment banking activities for more than one-fifth of its pre-tax profits in 1996 - more than double the proportion contributed by the division two years earlier.

The earnings break-down was among items revealed for the first time yesterday in a prospectus for the bank's New York listing this month.

It shows that of its total F14.79bn (\$2.47bn) profits last year, struck before taxation but after loan loss provisions, investment banking worldwide brought in F1.02bn.

Commercial banking in North America provided an identical amount, showing year-on-year growth of nearly 40 per cent. But the domestic branch network was still the biggest source of profits, though managing only 6.7 per cent growth to bring in F1.57bn.

The 21.3 per cent of the total attributed to investment banking last year compares with 18.5 per cent in 1995 and just 9.4 per cent the year before. Its centrepiece is Hoare Govett, the London stockbroker, while two months ago the bank completed the sale of MeesPier, the Amsterdam investment bank, to Fortis, the Dutch-Belgian financial group.

ABN Amro has been steadily adding to its presence in centres such as London. For example, the prospectus shows it paid F1.23m for Carrington Pembroke and F1.56m for Causeway Group, both based in London, last year.

Lending activities worldwide showed doubtful items of F1.99bn on a loan book totalling F132.7bn. The group has seen rapid balance sheet growth, most recently through its \$1.9bn agreement to take over Standard Federal, the largest savings bank in the US Midwest. It has adopted what it sees as a conservative provisioning policy. Allowances stood at more than F1.9bn at the year-end.



Alan Parker: PolyGram aims to boost production capacity with deal for his films David Appleby

PolyGram woos film makers with deals

PolyGram, the Dutch entertainment group, has expanded its film production interests by clinching a "first-look" deal with Alan Parker, the British director of *Evita* and *The Commitments*, writes Alice Rawsthorn.

The deal, which is expected to result in the release of at least one film a year produced or directed by Mr Parker, is intended as the first of several exclusive agreements with which PolyGram hopes to increase its film production capacity before the launch of its US distribution network this autumn.

PolyGram, a subsidiary of Philips, the Dutch consumer electronics company, has

invested \$800m in setting up a film entertainment division over the past six years. It recently allocated up to \$340m of additional investment, hoping to bring it into profit.

Originally PolyGram had hoped to accelerate its expansion in film by acquisition, but after a number of unsuccessful bids, it has opted to increase its production capacity by securing film-maker deals. It has already secured agreements with David Fincher, director of *Seven* whose next film, *The Game*, will be released by PolyGram this autumn, and the actress Jodie Foster, through Egg Pictures, her production company.

PolyGram is also looking to exploit growing demand for feature films from television companies. It has won an exclusive pay-TV deal to sell all the feature films it distributes in Spain to Sogecable, the Spanish media group.

This deal, which encompasses the pay-TV rights to films such as *Sleepers*, *Train Spotting* and *Fargo*, follows a similar agreement whereby Canal Plus, the French TV group, has a four-year agreement for PolyGram's features in France.

The Dutch group hopes soon to conclude exclusive deals for the sale of the free and pay-TV rights to its films in Italy.

Profits decline revealed at Airbus

By Michael Skapinker, Aerospace Correspondent

Net profits of Airbus Industrie, the European consortium, fell last year from DM854.6m in 1995 to DM707.3m (\$410m), Daimler-Benz Aerospace (Dasa) of Germany has revealed. This is the first time that Airbus profit figures have been published.

Dasa, which has a 37.9 per cent stake in the consortium, published the result in its 1996 accounts. Dasa is talking to the other Airbus partners - Aerospatiale, of France, which has a 37.9 per cent stake; British Aerospace, with 20 per cent; and Casa, of Spain, with 4.2 per cent - about turning the consortium into a limited company.

The four partners, which aim to change the consortium's status by 1999, are discussing the form the company should take. Airbus is a *groupement d'intérêt économique*, which means its profits are earned by its partners rather than by the consortium itself.

Dasa and BAE are pressing for Airbus to take control of aircraft manufacturing and research, as well as sales and marketing.

However, Aerospatiale believes that manufacturing and research should remain the responsibilities of the partners, to ensure that national governments continue to invest in Airbus aircraft programmes.

BAE has attempted to reassure Aerospatiale by saying that all four countries will continue to host Airbus manufacturing facilities. However, it has maintained its view that the new company must take control of all aspects of civil aircraft research, manufacturing, sales and service.

Rinascente deal knocks shares

By Paul Betts in Milan

Minority shareholders of Rinascente yesterday marked down the Italian retailer's shares nearly 8 per cent in protest at the structure of its alliance with Auchan, the privately-owned French supermarket group.

The deal announced on Tuesday between the Agnelli IRI holding - Rinascente's controlling shareholder - and Auchan also angered international investors.

One big US institutional investor described it as "another Italian stitch-up job at the expense of small shareholders".

However, IRI shares, which rose sharply on Tuesday, continued to climb yesterday, with the market forecasting significant benefits from the deal for the Agnelli holding.

IRI shares gained L10 to close at L5205 after rising 4.8 per cent the previous day.

By contrast, Rinascente shares, which were suspended on Tuesday, closed 7.94 per cent lower at L3,615 after slipping nearly 10 per cent at one stage.

The fall partly reflected Rinascente's decision to

launch a L780bn (\$457m) capital raising to finance the L530bn acquisition of Auchan's Italian activities.

However, the main object of criticism was the other component of the deal: Auchan will invest L1,000bn in a 49 per cent stake in a new joint company which will absorb IRI's 40.5 per cent controlling stake in Rinascente.

At this price, the value of IRI's stake could be calculated at about L15,600 a share, a heavy premium to Rinascente's closing share price yesterday.

"Once again it shows how easy it is to bypass Italy's takeover regulations," said a Milan broker yesterday.

He echoed minority shareholders' complaints that a deal of this size should have involved a public offer.

Consob, the Italian stock market watchdog, has already cleared the venture. However, many analysts continued to praise the industrial logic of the deal, which is designed to help Rinascente expand.

This will, in turn, enable Auchan to make significant inroads into the highly regulated Italian retailing sector.

Bank Handlowy sale gets go-ahead

By Christopher Robins in Warsaw

Poland's securities commission has approved the privatisation prospectus of Bank Handlowy, one of the country's largest banks.

Mr Cezary Stypulkowski, the bank's head, said he was confident the sale would be completed by end-June.

The Treasury is planning to place 43 per cent of the

offer privately, with a group of foreign institutional long-term investors, while the public sale will see institutions and retail investors buying a further 45 per cent of the offered stock.

Part of the public offer will consist of Global Depositary Receipts issued by the Bank of New York. The bank's employees are to be offered 7 per cent of the shares available.



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COMPANIES AND FINANCE: THE AMERICAS

TV only bright spot as Viacom reports loss

By Christopher Parkes
in Los Angeles

Sharp declines in operating income at three of Viacom's four core divisions drove the entertainment group into a first-quarter net loss of \$19m, compared with earnings of \$28m last year.

The television business, which includes the successful MTV music and Nickelodeon entertainment franchises, was the only sector to show progress, with operating profits up 17 per cent to \$160m from \$137m, on revenues 11 per cent higher at \$577m.

The company's stock, dented

recently by the abrupt departure of the head of the troubled Blockbuster video business, rose slightly on better-than-expected per share results: a loss of 10 cent compared with earnings of 3 cents last time and predictions of a 16 cent deficit.

However, the video and music division, which includes Viacom's troubled Blockbuster rental and retail chain, bore the scars of a turnaround strategy that is expected soon to be abandoned after its launch only a year ago.

Operating income fell 43 per cent year-on-year, from \$97m to \$55m, despite a 15 per cent rise in

revenues. The division's cash flow, defined as earnings before tax, depreciation and amortisation, slid 15 per cent.

Although the group offered no detailed breakdown of this decline, it had warned last week that Blockbuster's cash flow would be 15 to 20 per cent lower than last year.

Music stores, also under the the Blockbuster brand, posted "slightly positive" cash flow after a \$2m deficit in early 1996. Theme parks, also bundled into the video and music arm, reported a "slight" loss, the company said. Last week's warning accompan-

led the announcement of the departure of Mr Bill Fields, hired a year ago to revive Blockbuster, and named as a potential future chairman by the company's current head, Mr Sumner Redstone.

Mr Redstone said yesterday that rising revenues in all divisions demonstrated the group's underlying strength, but offered no further insights into his plans for restoring Blockbuster's fortunes.

According to reports, he intends to re-focus the business on its origins in high-profit video rentals, reversing Mr Fields's policy of increasing sales of film cassettes and other "home entertainment"

products ranging from popcorn to soft drinks.

Operating income at the entertainment division, which includes the Paramount film studios, TV programming and cinemas, fell 34 per cent to \$36m in the quarter. But underlying cash flow was up 30 per cent after excluding last year's one-time benefits at this level of film and programme licensing deals with Germany's Kirch Group.

The operating loss at the publishing division, which includes the Simon & Schuster label, widened 24 per cent to \$58m as revenues rose 2 per cent to \$39m.



Sumner Redstone: offered no insights into recovery plans

Cisco shrugs off sales fears

By Louise Kehoe
in San Francisco

Cisco Systems reported a 41 per cent jump in earnings for its third quarter, despite slowing sales growth in some international markets.

The leading manufacturer of computer networking equipment, Cisco has expanded rapidly with the spread of the Internet and corporate networks. Investors had been nervous, however, about a possible slowdown in the sector.

Cisco, however, produced results that were in line with Wall Street's expectations.

Net sales for the quarter were \$1.6bn, compared with \$1.1bn in the same period last year.

Net income, excluding special gains, was \$358m, or 53 cents a share, up from \$245.6m or 37 cents a share in the third quarter of fiscal 1996.

Cisco recorded a pre-tax gain of \$32.5m from the sale of a stock investment. After taxes this added 8 cents a share, to bring total net income for the latest quarter to 55 cents a share.

Mr John Chambers, chief executive, said that weak economic conditions in Japan, Germany and France had put a damper on sales growth during the quarter.

However, weakness in these markets may have bottomed, he added, adding that sales were "solid" in all geographies during April.

Sales of routers, Cisco's flagship products which direct data traffic on the Internet, also softened.

This was attributed to the imminent introduction of a new generation of faster routers which are expected to ship within the next six months.

Mr Chambers remained confident, however, that the networking equipment market would continue to grow at 30 to 50 per cent a year. Cisco's goal is to grow at or above this pace.

The company's gross margin was flat at 55.3 per cent of revenues. Cisco has said in the past that gross margins could decline in coming months.

Cisco's net sales for the first nine months of fiscal 1997 were \$4.7bn, an increase of 67 per cent over \$2.8bn last year.

Pro Forma net income, excluding special gains and charges was \$1.0bn, or \$1.50 a share, versus \$686.8m or 96 cents a share during the first nine months of fiscal 1996.

Since January, shares of Cisco have fallen sharply from a 12-month high of \$75 amid concerns about a possible slowdown.

Yesterday, however, Cisco's stock picked up \$4 to trade at \$58 in mid-session.

Microsoft acquires Java know-how

By Louise Kehoe

Microsoft yesterday announced an agreement to acquire Dimension X, a San Francisco developer of programmes using the Java language which creates interactive features for multimedia Internet Web pages.

The acquisition signals a shift by Microsoft to embrace the Java programming language more wholeheartedly, industry analysts said. Until now, Microsoft has appeared less than enthusiastic about Java, which was developed by Sun Microsystems.

Java enables the development of "cross-platform" software which can run on any type of computer. It is being widely used to create software for the Internet.

Terms of the deal were not disclosed, but Microsoft is believed to be paying less than \$50m for the software developer, which has 40 employees.

Dimension X was the first of many Java start-up companies formed over the past two years to take advantage of the new language.

The acquisition is the latest in a series by Microsoft, which last month acquired WebTV, a company that has developed technology to deliver the Internet to TV sets, for \$425m, mostly in stock.

With a cash hoard of more than \$9bn, Microsoft is becoming increasingly acquisitive. Over the past 3½ years the company has invested about \$2bn in acquiring smaller companies. Most of these investments have occurred over the past 12 months, Mr Greg Maffei, Microsoft's treasurer and vice-president of corporate development, noted during a presentation to venture capitalists earlier this week.

However, Mr Maffei said Microsoft was cautious about placing too much emphasis on acquisitions. "Integrating technologies is hard. That's why we don't do a lot of acquisitions," he said.

US pulp and paper industry turns a page

Mergers and appointments suggest that consolidation is under way at last, says John Authers

Consolidation may at last be imminent for the US pulp and paper industry.

Stocks in both Fort Howard and James River rallied impressively in New York on Monday, when the companies announced they were merging in a \$3.6bn deal.

The acquisition converted two medium-sized players into the second-largest manufacturer of tissue paper in the US.

More impressively, virtually all the leading paper companies gained on the news, as dealers assumed that broader consolidation for the industry was at last under way.

Nor were potential targets the only companies to gain. Larger players such as International Paper and Georgia-Pacific - both more likely to be acquirers - also gained more than 4 per cent on the news.

Wall Street was excited because the US paper industry is out of favour, and analysts believe consolidation is overdue. They believe that the existence of fewer companies would eliminate wasteful over-production, which serves merely to force paper prices down.

Outside the US, consolidation has already been firmly established.

There have been several large mergers in Scandinavia

and Canada, where Abitibi-Price merged with Stone Consolidated in February this year to form a new market leader.

The US market now appears distinctly overvalued by comparison.

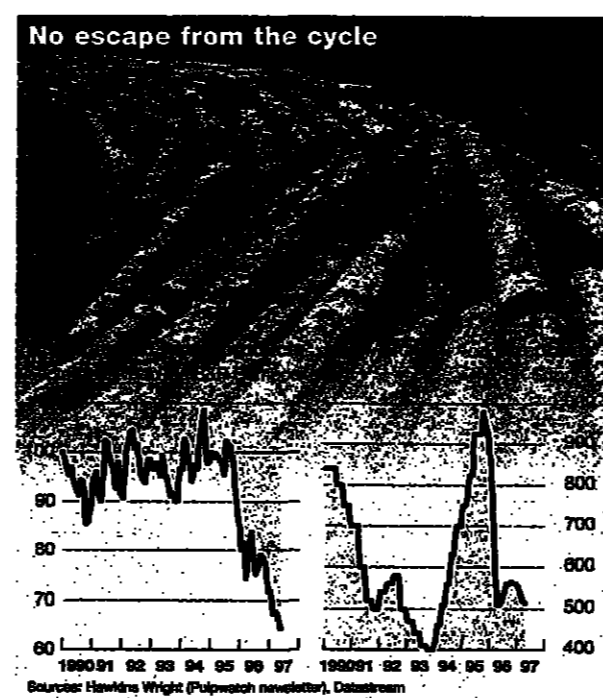
Several of the largest companies in the sector have appointed new chief executives during the last two years, stoking speculation that the industry is now ready for a shake-out.

Mr Pete Correll, chief executive of Atlanta-based Georgia-Pacific, suggests there "absolutely needs to be consolidation". He says: "This industry is the most fragmented capital-intensive industry in the US. A lot of efficiencies could be generated by consolidation."

He adds that the paper industry, unlike those involving other raw materials, is not necessarily cyclical, as demand continues to grow steadily each year.

He suggests as well that the paper market is only cyclical because the industry has made it so, expanding capacity when times are good, and thus forcing prices down until capacity has been cut again.

The American Forest and Paper Association's latest annual survey of capacity shows that the industry plans to increase supply during the next three years, although at a much slower



rate than has been normal during the past decade.

After rising at an annual rate of 2.6 per cent from 1986 to 1995, the US industry grew by 3.5 per cent last year, as new machinery - ordered while paper prices were high - came on stream, according to the survey.

For the next three years, paper and paperboard capacity is slated to grow at an annual rate of only 1.5 per cent.

But so far companies have attempted to deal with the problem by the temporary measure of increasing "down-time", leaving mills inactive for longer periods.

Global over-capacity, fuelled by the emergence of new more cost-efficient suppliers in south-east Asia, helped force last year's dramatic slump in paper prices, which saw some categories of paper fall by as much as 30 per cent.

As a result, US paper companies' shares underperformed the market drastically, continuing a trend that has lasted almost a decade. The under-performance has continued so far this year, with the S&P paper sector up only 0.11 per cent.

Equity strategists, such as Mr Michael Metz, of Oppenheimer & Co, now believe paper might even offer relatively good value. He suggests the James River-Fort Howard deal is the start of a consolidation in the basic materials industries, "where it is cheaper to buy than to build".

Mr Mark Wilde, paper industry analyst at BT Securities in New York, says: "If you look at Scandinavia, there's been so much consolidation - also in Canada. Something has got to happen in the US, and much of the industry is for sale."

He adds that shareholder dissatisfaction is growing, and that the value of paper companies' underlying assets, particularly in timber, make them look very cheap, given the new interest from institutions in buying timberlands as investment. The value of timber alone accounts for about 75 per cent of some paper companies' assets.

He says: "It means you

Competition hits earnings at CNA Financial

By John Authers
in New York

A sharp fall in investment income pushed first quarter profits from CNA Financial, the largest US corporate insurer, significantly below analysts' expectations.

Earnings, excluding securities transactions, were \$136m, or \$2.18 per share. This was well below expectations of \$2.37, and CNA's shares shed \$1½ to \$100½ in early trading.

Total income was also down, to \$178m, compared with \$329m in the equivalent quarter of 1996. Smaller

gains on CNA's investment portfolio were responsible, with total revenues dropping from \$4.3bn to \$4.1bn.

Mr Dennis Chookaszian, chief executive, said the results showed the "challenging conditions" in the insurance marketplace. He added: "Loss ratios have deteriorated because of intensifying competition, notably in commercial property and casualty insurance."

Property and casualty premiums written were static at \$2.67bn. These figures include a slight fall in CNA's commercial written premi-

ums, down from \$2.16bn to \$2.15bn. While CNA is the largest operator in this market, it still had only 5.6 per cent of total written premiums at the end of 1995, according to a survey by the Insurance Information Institute.

The survey showed that the four largest companies had only 17.1 per cent of the market between them, while the top 10 had only 31.7 per cent. The fragmented market has kept a strong downward pressure on prices.

CNA's underwriting performance weakened and its combined ratio, the techni-

cal measure which expresses total administrative expenses and claims payments as a percentage of premiums, rose from 106.7 per cent to 110.6 per cent.

However, life insurance premiums increased slightly, from \$3.55bn to \$3.62bn. Mr Chookaszian stressed CNA was continuing a policy of international "controlled growth", and had purchased a majority stake in a large Argentinian workers' compensation insurer during the quarter.

The continuing boom in sales of retirement savings products and mutual funds

helped fuel strongly improved results for the Equitable Companies, a financial services conglomerate which includes Alliance Capital, the fund manager, and Donaldson, Lufkin & Jenrette, the investment bank.

First quarter after-tax operating profits rose 21 per cent to \$133.1m, compared with 1996, on the back of revenues which increased 15 per cent to \$2.2bn. Its shares fell 5½ in early trading to \$29½.

Sales of investment products contributed most. Uncertainty caused by equity markets' heavy vola-

tility in the early months of the year was counter-acted by demographic factors, with children born in the post-war "baby boom" now entering their final decade before retirement.

New annuity premiums rose 27 per cent year on year to \$647.3m, while premiums for variable life insurance, an investment product, gained 32 per cent to \$112.4m. Mergers and acquisitions helped Donaldson, Lufkin & Jenrette increase profits by 33 per cent to \$86.4m. Alliance Capital's operating earnings gained 18 per cent to \$53.3m.

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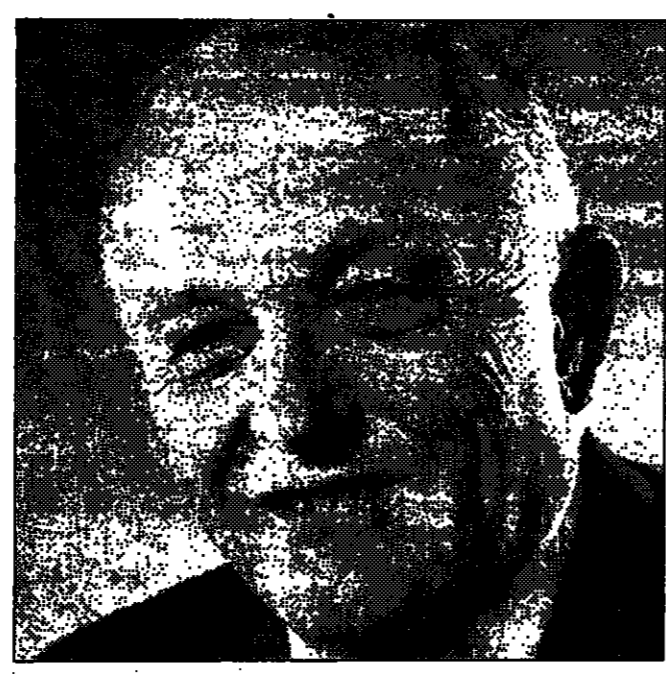
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ICI has embarked on a major transformation. This week we announced the conditional purchase of the Speciality Chemicals businesses of Unilever which will be a key part of the change. The businesses play to our strengths and will secure our position as a leading science-based manufacturing company into the next century.

We are investing £5 billion in acquiring strong technology-driven businesses with international market positions, which complement our own technologies and capabilities.

Our intention is to build a group where demand is driven more by satisfying customer needs than by business cycles, where success depends on innovation and manufacturing excellence, and where respect for science remains paramount. The businesses are:

- National Starch, a world leader in industrial adhesives and Number 1 in speciality starches
- Quest, one of the world's leading fragrance, food ingredients and flavours companies

- Unichema, a global leader in fatty acids, and
- Crosfield, a major producer of silicates, zeolites and silicas

Today's and tomorrow's manufacturers of foods, personal care items, electronics and many other popular products require suppliers which provide creative ideas underpinned by technology. Their suppliers must operate internationally and be industry leaders.

These are the hallmarks of Speciality Chemicals. The management teams which built them will be joining the ICI family, bringing with them the attitudes and cultures that have shaped them. Their skills will combine powerfully with the technology and dedication to innovation and science which have made ICI one of the world's most respected industrial companies.

Much has already been achieved since the demerger of Zeneca in 1993. We have driven forward our productivity and invested in higher growth and less cyclical businesses. We have built significant businesses in

coatings, materials, and performance chemicals. We are the world's most international decorative paints manufacturer, and we have global reach in polyurethanes and acrylics which are crucial to the manufacture of products as diverse as baths and signs, fibre optics, CD-ROMs and even lubricating oils.

This acquisition is a bold and decisive step which will accelerate the shift towards customised products that we believe is needed as the next stage of the successful development of ICI. Science and technology are the cornerstones of our businesses but innovation is in our blood and change is endemic in our culture.

We welcome Speciality Chemicals to ICI. We believe they will thrive in their new environment and that we have much to learn from each other.

This is an opportunity which will change the character and direction of ICI, and will generate real benefits for our people, our customers, our shareholders and the community as a whole.



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Complex loan for Chinese metals group

future gained 0.04 at 129.53, while in the cash market the 10-year benchmark OAT was 0.05 lower at 98.60.

In London, the June future on German bunds closed at 101.76, down 0.10.

Argentina issued its first lira-denominated floater. Led by Deutsche Morgan Grenfell, the L500bn deal was priced to yield 160 basis points over Libor.

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|----|-------------------|-------------------|-------------------------------------|-----|-------------------|-------------------|------|
| 00 | 42 $\frac{1}{2}$ | 42 $\frac{1}{2}$ | Glaxo Wellcome 8 $\frac{1}{2}$ 05 £ | 500 | 106 $\frac{1}{2}$ | 106 $\frac{1}{2}$ | 7.65 |
| 00 | 105 $\frac{1}{2}$ | 108 $\frac{1}{2}$ | HSBC Holdings 11.69 02 £ | 153 | 116 $\frac{1}{2}$ | 116 $\frac{1}{2}$ | 7.77 |
| 00 | 104 $\frac{1}{2}$ | 105 | Italy 10 $\frac{1}{2}$ 14 £ | 400 | 126 $\frac{1}{2}$ | 126 $\frac{1}{2}$ | 7.70 |
| 00 | 108 $\frac{1}{2}$ | 109 $\frac{1}{2}$ | Japan Dev Bank 7 00 £ | 200 | 99 $\frac{1}{2}$ | 99 $\frac{1}{2}$ | 7.31 |
| 00 | 108 $\frac{1}{2}$ | 109 $\frac{1}{2}$ | Land Secs 8 $\frac{1}{2}$ 07 £ | 200 | 111 $\frac{1}{2}$ | 111 $\frac{1}{2}$ | 7.80 |

| | | | | | | | | | | |
|------------------|------------------|----------------|----------------|--------------------------|-------------------------|------|---------|----------------|----------------|------|
| 100 ₁ | 100 ₂ | - ₂ | 2.37 | Steven Trent 11 1/2 99 C | 150 | 108 | 108 1/2 | - ₂ | 7.36 | |
| 100 | 115 | 115 1/2 | - ₂ | 2.71 | Tony Elec Power 11 01 C | 150 | 112 1/2 | 112 1/2 | 7.44 | |
| 100 | 108 1/2 | 109 | + ₂ | 3.19 | TONZ Pin 9 1/2 02 N2S | 75 | 105 1/2 | 105 | - ₂ | 7.96 |
| 100 | 115 1/2 | 115 1/2 | - ₂ | 3.26 | World Bank 9 99 N2S | 250 | 102 1/2 | 102 1/2 | - ₂ | 7.74 |
| 100 | 103 1/2 | 105 | - ₂ | 4.58 | Credit Local 6 01 FF | 8000 | 104 1/2 | 105 | 4.80 | |
| 100 | 121 1/2 | 121 1/2 | + ₂ | 3.64 | Denmark 5 1/2 89 FF | 7000 | 108 1/2 | 108 1/2 | 4.00 | |

| 115 1/2 | 115 3/4 | -1/4 | 2.71 | FLOATING RATE NOTES | | | |
|---------|---------|---------|------|----------------------------|-------|-------|-------|
| | | | | Issued | Bid | Offer | Cap |
| 10 | 100 1/2 | 100 1/4 | 1.27 | Abbey Nat Treasury -1/2 88 | 98.92 | 98.98 | 5,590 |
| 10 | 113 | 113 1/4 | 2.11 | Argentina Global Pln 01 | 700 | 98.78 | 5,676 |
| 10 | 116 1/4 | 115 | 1.33 | Cas -1/4 01 | 2000 | 98.93 | 5,814 |
| 10 | 112 1/2 | 113 1/4 | 2.19 | Canada -1/4 89 | 2000 | 98.77 | 5,239 |
| 10 | 119 1/2 | 119 1/4 | 2.19 | COFC 01 06 | 200 | 98.73 | 4,935 |

| | | | | | | | |
|-------------------|-------------------|------|--------------------------------------|------|--------|--------|--------|
| 108 $\frac{1}{2}$ | 107 | 1.77 | Deutsche Finance $\frac{1}{2}$ 98 DM | 1000 | 98.27 | 98.01 | 5.7500 |
| 107 | 117 $\frac{1}{2}$ | 2.51 | Deutsche Finance $\frac{1}{2}$ 98 DM | 1000 | 98.98 | 100.08 | 3.2500 |
| 108 $\frac{1}{2}$ | 108 $\frac{1}{2}$ | 1.22 | Fed Nat Mort $\frac{1}{2}$ 90 | 1000 | 99.74 | 99.94 | 5.3000 |
| 120 $\frac{1}{2}$ | 120 $\frac{1}{2}$ | 1.68 | Finland $\frac{1}{2}$ 99 | 1500 | 98.97 | 100.08 | 5.6900 |
| 115 | 115 $\frac{1}{2}$ | 1.29 | Helikon BS 0 99 | 500 | 100.04 | 100.12 | 5.9500 |
| 117 $\frac{1}{2}$ | 118 | 1.80 | Isl Bank Int $\frac{1}{2}$ 99 | 500 | 100.34 | 100.43 | 5.7500 |

| | | | | | | | | |
|----|-------------------|-------------------|-------|---------------------------|------|--------|--------|--------|
| 10 | 99 $\frac{1}{2}$ | 100 | 15.15 | UKB Baden-Wuert Fin 4 88 | 1000 | 99.91 | 99.98 | 5.9750 |
| 10 | 100 $\frac{1}{2}$ | 101 $\frac{1}{2}$ | 14.28 | Majestic Bank Corp S 0.70 | 800 | 98.81 | 99.13 | 5.6838 |
| 10 | 105 | 105 $\frac{1}{2}$ | 3.85 | Lloyds Bank 1/8 05 | 650 | 98.80 | 99.80 | 6.0825 |
| 10 | 108 $\frac{1}{2}$ | 104 | 5.84 | Novus Scotia 1/8 99 | 500 | 99.98 | 100.05 | 5.5982 |
| 10 | 110 $\frac{1}{2}$ | 110 $\frac{1}{2}$ | 5.40 | Ontario 0 99 | 2000 | 100.10 | 100.16 | 5.4861 |
| 10 | | | | Portugal 1/8 DM | 2500 | 100.27 | 100.33 | 3.9088 |

| | | | | | | | | | |
|----|------------------|------------------|------|------|---------------------------|------|--------|--------|--------|
| 5 | 109 ₁ | 109 ₁ | -1/4 | 5.82 | Spain -1/2 02 DM | 2000 | 100.04 | 100.11 | 3.1675 |
| 6 | 113 ₁ | 113 ₁ | -1/4 | 5.85 | State Bk Victoria 0.05 99 | 125 | 99.95 | 100.05 | 5.7219 |
| 7 | 110 ₁ | 111 | -1/8 | 5.82 | Sweden -1/4 01 | 2000 | 99.98 | 100.08 | 3.3887 |
| 8 | 108 ₁ | 108 ₁ | -1/4 | 5.41 | United Kingdom -1/2 01 | 2000 | 99.87 | 99.90 | 5.5925 |
| 9 | 112 ₁ | 112 ₁ | -1/4 | 6.20 | | | | | |
| 10 | 110 ₁ | 110 ₁ | -1/4 | 5.75 | | | | | |

CONVERTIBLE BONDS

| | 101 1/2 | 102 1/2 | 103 1/2 | 104 1/2 | 105 1/2 | 106 1/2 | 107 1/2 | 108 1/2 | 109 1/2 | 110 1/2 | 111 1/2 | 112 1/2 | 113 1/2 | 114 1/2 | 115 1/2 | 116 1/2 | 117 1/2 | 118 1/2 | 119 1/2 | 120 1/2 | 121 1/2 | 122 1/2 | 123 1/2 | 124 1/2 | 125 1/2 | 126 1/2 | 127 1/2 | 128 1/2 | 129 1/2 | 130 1/2 | 131 1/2 | 132 1/2 | 133 1/2 | 134 1/2 | 135 1/2 | 136 1/2 | 137 1/2 | 138 1/2 | 139 1/2 | 140 1/2 | 141 1/2 | 142 1/2 | 143 1/2 | 144 1/2 | 145 1/2 | 146 1/2 | 147 1/2 | 148 1/2 | 149 1/2 | 150 1/2 | 151 1/2 | 152 1/2 | 153 1/2 | 154 1/2 | 155 1/2 | 156 1/2 | 157 1/2 | 158 1/2 | 159 1/2 | 160 1/2 | 161 1/2 | 162 1/2 | 163 1/2 | 164 1/2 | 165 1/2 | 166 1/2 | 167 1/2 | 168 1/2 | 169 1/2 | 170 1/2 | 171 1/2 | 172 1/2 | 173 1/2 | 174 1/2 | 175 1/2 | 176 1/2 | 177 1/2 | 178 1/2 | 179 1/2 | 180 1/2 | 181 1/2 | 182 1/2 | 183 1/2 | 184 1/2 | 185 1/2 | 186 1/2 | 187 1/2 | 188 1/2 | 189 1/2 | 190 1/2 | 191 1/2 | 192 1/2 | 193 1/2 | 194 1/2 | 195 1/2 | 196 1/2 | 197 1/2 | 198 1/2 | 199 1/2 | 200 1/2 | 201 1/2 | 202 1/2 | 203 1/2 | 204 1/2 | 205 1/2 | 206 1/2 | 207 1/2 | 208 1/2 | 209 1/2 | 210 1/2 | 211 1/2 | 212 1/2 | 213 1/2 | 214 1/2 | 215 1/2 | 216 1/2 | 217 1/2 | 218 1/2 | 219 1/2 | 220 1/2 | 221 1/2 | 222 1/2 | 223 1/2 | 224 1/2 | 225 1/2 | 226 1/2 | 227 1/2 | 228 1/2 | 229 1/2 | 230 1/2 | 231 1/2 | 232 1/2 | 233 1/2 | 234 1/2 | 235 1/2 | 236 1/2 | 237 1/2 | 238 1/2 | 239 1/2 | 240 1/2 | 241 1/2 | 242 1/2 | 243 1/2 | 244 1/2 | 245 1/2 | 246 1/2 | 247 1/2 | 248 1/2 | 249 1/2 | 250 1/2 | 251 1/2 | 252 1/2 | 253 1/2 | 254 1/2 | 255 1/2 | 256 1/2 | 257 1/2 | 258 1/2 | 259 1/2 | 260 1/2 | 261 1/2 | 262 1/2 | 263 1/2 | 264 1/2 | 265 1/2 | 266 1/2 | 267 1/2 | 268 1/2 | 269 1/2 | 270 1/2 | 271 1/2 | 272 1/2 | 273 1/2 | 274 1/2 | 275 1/2 | 276 1/2 | 277 1/2 | 278 1/2 | 279 1/2 | 280 1/2 | 281 1/2 | 282 1/2 | 283 1/2 | 284 1/2 | 285 1/2 | 286 1/2 | 287 1/2 | 288 1/2 | 289 1/2 | 290 1/2 | 291 1/2 | 292 1/2 | 293 1/2 | 294 1/2 | 295 1/2 | 296 1/2 | 297 1/2 | 298 1/2 | 299 1/2 | 300 1/2 | 301 1/2 | 302 1/2 | 303 1/2 | 304 1/2 | 305 1/2 | 306 1/2 | 307 1/2 | 308 1/2 | 309 1/2 | 310 1/2 | 311 1/2 | 312 1/2 | 313 1/2 | 314 1/2 | 315 1/2 | 316 1/2 | 317 1/2 | 318 1/2 | 319 1/2 | 320 1/2 | 321 1/2 | 322 1/2 | 323 1/2 | 324 1/2 | 325 1/2 | 326 1/2 | 327 1/2 | 328 1/2 | 329 1/2 | 330 1/2 | 331 1/2 | 332 1/2 | 333 1/2 | 334 1/2 | 335 1/2 | 336 1/2 | 337 1/2 | 338 1/2 | 339 1/2 | 340 1/2 | 341 1/2 | 342 1/2 | 343 1/2 | 344 1/2 | 345 1/2 | 346 1/2 | 347 1/2 | 348 1/2 | 349 1/2 | 350 1/2 | 351 1/2 | 352 1/2 | 353 1/2 | 354 1/2 | 355 1/2 | 356 1/2 | 357 1/2 | 358 1/2 | 359 1/2 | 360 1/2 | 361 1/2 | 362 1/2 | 363 1/2 | 364 1/2 | 365 1/2 | 366 1/2 | 367 1/2 | 368 1/2 | 369 1/2 | 370 1/2 | 371 1/2 | 372 1/2 | 373 1/2 | 374 1/2 | 375 1/2 | 376 1/2 | 377 1/2 | 378 1/2 | 379 1/2 | 380 1/2 | 381 1/2 | 382 1/2 | 383 1/2 | 384 1/2 | 385 1/2 | 386 1/2 | 387 1/2 | 388 1/2 | 389 1/2 | 390 1/2 | 391 1/2 | 392 1/2 | 393 1/2 | 394 1/2 | 395 1/2 | 396 1/2 | 397 1/2 | 398 1/2 | 399 1/2 | 400 1/2 | 401 1/2 | 402 1/2 | 403 1/2 | 404 1/2 | 405 1/2 | 406 1/2 | 407 1/2 | 408 1/2 | 409 1/2 | 410 1/2 | 411 1/2 | 412 1/2 | 413 1/2 | 414 1/2 | 415 1/2 | 416 1/2 | 417 1/2 | 418 1/2 | 419 1/2 | 420 1/2 | 421 1/2 | 422 1/2 | 423 1/2 | 424 1/2 | 425 1/2 | 426 1/2 | 427 1/2 | 428 1/2 | 429 1/2 | 430 1/2 | 431 1/2 | 432 1/2 | 433 1/2 | 434 1/2 | 435 1/2 | 436 1/2 | 437 1/2 | 438 1/2 | 439 1/2 | 440 1/2 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
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|---------|---------|-------|------|-----------------------------|------|---------|---------|---------|-------|
| 102 1/2 | 122 1/2 | 2 1/2 | 6.63 | Luzero 7 1/2 05 E | 200 | 5.64 | 97 1/2 | 99 1/2 | |
| 106 | 116 1/2 | 2 1/2 | 4.79 | MEL Int Fin 3 02 | 2000 | 22 | 103 | 103 1/2 | -3.06 |
| 114 1/2 | 114 1/2 | | 4.80 | Mitell Bank 2 1/2 03 | 200 | 2332.6 | 80 1/2 | 82 1/2 | |
| 105 1/2 | 106 | 1/2 | 7.10 | Pierrefid 4 1/2 03 | 500 | 58.8097 | 119 1/2 | 120 1/2 | +1.33 |
| 113 1/2 | 114 | 1/2 | 7.28 | Sancor Capital 2 02 | 750 | | | | |
| 109 1/2 | 109 1/2 | 1/2 | 6.35 | Sapell EMI Financa 7 1/2 02 | 250 | 76 | 92 1/2 | 93 1/2 | |

| | 100% | 101% | +½ | 7.58 | Sun Alliance 7% 08 E | 155 | 3.9 | 130 | 131 | -68.15 |
|---|------|------|----|------|---------------------------------------------------|-----|------|-----|-----|--------|
| D | 105% | 105½ | + | 7.72 | Transatlantic Hldgs 5½ 08 E .. | 250 | 5.05 | 96% | 97% | -1.59 |
| D | 105% | 105½ | + | 7.75 | * No information available - previous day's price | | | | | |
| D | 101¼ | 101½ | | 8.53 | ‡ Only one market maker supplied a price | | | | | |

d currency units; Chg. day-Chng on day.
n. Spread-Margin above Ste-spread offer rate 101three-month Bidbase-nom total for US dollar.

with prior consent. Data supplied by International Securities Market Association.

Financial

■ **EXCESS RATES**

■ **LEADING RATES**

CURRENCIES AND MONEY

Dollar dips on talk of intervention

MARKETS REPORT

By Simon Kuper

The dollar fell yesterday on a report that Japan, Germany and the US had prepared on Tuesday night to sell large amounts of the currency in the market.

The report by the Japanese news service Kyodo quoted "an international financial source" as saying the intervention was called off after the US requested to watch the dollar's movements for longer.

But the report said Japan still sought joint intervention "when necessary". The Bank of Japan and the Bundesbank refused to comment on the report.

A ministry of finance official said Japan could use its \$200bn of foreign exchange reserves promptly in the market if needed. Earlier, Mr Eisuke Sakakibara, director general of the ministry's international finance

bureau, had said it would be hard to procure funds for intervention directly from the money market.

The dollar lost Y0.5 against the yen and 0.3 pence against the D-Mark, closing in London at Y124.9 and DM1.720.

The markets have been worried for weeks that Japan and possibly the US might intervene to weaken the dollar. The Group of Seven industrialised nations said in a statement on exchange rates after its Washington summit on April 27 that "excess volatility and significant deviations from fundamentals are undesirable". The dollar has risen since the autumn.

Most in the market took the Kyodo report with a

pinch of salt. Mr Carl Weinberg, chief economist at High Frequency Economics in New York, said: "Am I going to bet the ranch on it? No. Am I going to keep my eye on the horizon? Yes." But he pointed out that intervention often comes on days of low volumes - and European markets are shut today.

The short sterling futures market often moves in surprising ways. On Tuesday it again flew in the face of conventional economic wisdom. Yesterday it corrected itself.

On Tuesday futures contracts soared after Mr Gordon Brown, the UK Chancellor, gave the Bank of England the right to set interest rates. The March 1999 contract jumped 23 basis points, and most 1997 contracts rose sharply too. The market seemed to be betting that with the Bank taking a tough line on inflation, base rates would be



lower than they would have under a chancellor.

Yet almost every market economist in London was predicting the opposite: that the Bank would set higher rates than a chancellor would have.

Yesterday the futures market caught up with this view. Contracts fell, with the September 1998 contract down 10 points. That

occurred even though UK industrial output for March emerged weak, apparently reducing the chance of further rate rises.

If the Bank will indeed be quick to raise rates, why did the contracts jump on Tuesday? Mr Philip Shaw, chief economist at Union Discount in London, said: "The entire short sterling strip was caught up in the euphoria of Bank of England independence yesterday, and benefited from the rise in the gilts." In short, Tuesday's rise was irrational.

The Bank may look at different indicators than chancellors did when setting interest rates. Mr Shaw

WORLD INTEREST RATES

| MONEY RATES | | | | | | | | | |
|-------------|------------|-----------|--------------|------------|----------|------------|-----------|-----------|------|
| May 7 | Over night | One month | Three months | Six months | One year | Lend. rate | Dis. rate | Repo rate | |
| Belgium | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 6.00 | 2.50 | - | - |
| France | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5.10 | - | - | - |
| Germany | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 4.50 | 2.50 | 4.00 | 3.75 |
| Ireland | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | - | - | - | 6.75 |
| Italy | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 6.25 | 6.75 | 7.50 | 7.50 |
| Netherlands | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 3.00 | - | - | 3.00 |
| Switzerland | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | - | - | - | 1.00 |
| US | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | - | - | - | 5.00 |
| Japan | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | 5 1/4 | - | - | - | 0.50 |

LIBOR FT London
US Dollar CDs
EURO LIBOR
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EURO LIBOR 6M
EURO LIBOR 12M
EURO LIBOR 18M
EURO LIBOR 24M
EURO LIBOR 36M
EURO LIBOR 48M
EURO LIBOR 60M
EURO LIBOR 72M
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EURO LIBOR 1968M
EURO LIBOR 1980M
EURO LIBOR 1992M
EURO LIBOR 2004M
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COMMODITIES AND AGRICULTURE

Philippine mining hit by fiscal delay

By Justin Marozzi in Manila

The Philippine mining industry lost as much as \$240m last year because the government failed to settle the fiscal regime for mining projects, the head of the government's mines and geosciences bureau (GMB) said yesterday.

The statement came as a regional judge announced that one Filipino and two Australian mining officials would appear in court to face charges after last year's spill of tailings from a copper mine.

The leak, from a mine on Marinduque island into the Bore river, led to the suspension of exploration licences for foreign mining

companies and an overhaul of mining regulations in the country.

The three men - executives of Marco, the group formerly 40 per cent owned by Placer Dome, of Canada - will appear in court on May 28 and 29.

Mr John Loney, former president of Marco, Mr Steve Reid, former resident manager, and Mr Pedro Hernandez, senior manager, face charges of violating the Philippine's mining act, criminal negligence, pollution and violation of the water code. The maximum penalty is six years imprisonment in addition to fines of 3,000 pesos (\$114) for each day of violation.

Marco is still clearing the

river more than 13 months after the spill, and expects to pay \$15m.

In a Placer Dome said it was handing back its 40 per cent stake in the group as part of a strategy to concentrate on gold mining.

Speaking in Australia, where he is promoting investment in the Philippine mining industry, Mr Horacio Ramos, director of the GMB, said about \$120m was spent last year on mineral exploration.

This could have reached \$600m, however, if the government had concluded negotiations on its stake under the financial or technical assistance agreements (FTAA), under which mining companies are allowed to explore up to 81,000

hectares at a fee of 50 pesos per hectare. Foreign companies are allowed to take 100 per cent stakes in mining projects.

At present, FTAA's are on hold, following the Marcopter accident. After a public outcry against foreign mining companies, all but two of the 70 applications for exploration licences were frozen and in January the government announced a series of measures to punish companies leaking waste and obliging them to spend 10 per cent of initial costs on environmental improvements.

The Philippine mining industry has been stagnating over the last decade, declining from 25 per cent

of exports receipts 10 years ago to about 4 per cent last year, but around 100 applications for new licences are now pending.

Mr Ramos said he hoped to sign an agreement before the end of the month. The government was looking at taking 50 per cent of mine revenues after operational costs, he said. This would take effect once the mining company had recouped initial costs.

"We need to come up with a sharing agreement that is not only acceptable to foreign investors but also acceptable to our people, because in that way we will ensure long-term sustainability," Mr Ramos said.

Coffee rally continues

MARKETS REPORT

By Gary Mead

Coffee continued to enjoy its recent London rally yesterday, with the price for the July contract for robusta closing at \$1,753 a tonne, \$53 up on the previous day.

Specialists said the persistent interest came from both speculative traders and fund buying. Prices on the London International Financial Futures Exchange peaked earlier at \$1,766, the highest since March 12.

The attention being paid to the Life-traded future is closely shadowing trading of arabica futures in New York, where in early trading yesterday the cash price reached a record \$2.56 a pound.

Cocoa also enjoyed a stronger day on Liffe, with the July contract finishing \$15 higher at \$1,004 a tonne - though in the absence of fundamental news, trading was flat.

Reports that Russia might finally have signed a decree to resume exports of palladium hit prices of the white precious metal in London.

The price has been pushed

up by 42 per cent since December. The spot price for the precious metal rose \$2.50 on the day to \$153.25.

Gold fixed in London slightly higher, at \$341.10 an ounce, up from \$340.65, but platinum was dragged down along with palladium, falling \$1 an ounce to \$372.

Trading in base metals on the London Metal Exchange was lacklustre, with aluminium the only exception. The three-month contract closed up \$29 a tonne at \$1,661, following news that LME's stocks had fallen by 6,700 tonnes and that further falls were likely. The three-month contract for copper ended \$10 up on the day, at \$2,370 a tonne.

On London's International Petroleum Exchange, the June contract for Brent crude oil hovered around \$18 a barrel and in later trading was up 15 cents at \$18.22.

Some traders saw signs of bullishness after weekly figures from the American Petroleum Institute put demand for gasoline at 8.76m barrels a day.

Chinese metals group loan, Int Capital Markets

Century Zinc back on track

By Nikki Tait in Sydney

The A\$1bn (US\$780m) Century Zinc project in northern Queensland, which will be the world's largest zinc mine, appears to be back on track after London-based RTZ-CRA yesterday reached formal agreement with local aboriginal groups and the state government.

Native title disputes have dogged the project for several years, and it has been one of the main victims of the uncertainty in Australia over pastoral leases - in particular, whether these extinguish native title on the same land.

Yesterday, the company said it had secured a compensation agreement with all 12 aboriginal groups that were asserting native title rights over land affected by the proposed mine, as well as the state government.

The benefits package is valued at A\$60m, with A\$45m going on training and job-related developments.

Four pastoral properties owned by Century will also be progressively transferred to aboriginal communities.

RTZ-CRA - which yesterday saw its annual general meeting in London picketed by environmental protesters - gave the go-ahead to the Century Zinc project more



RTZ-CRA reached agreement in Queensland on title disputes but was picketed at its annual meeting in London

than two years ago, but development stalled because it could not reach agreement with all the native title claimants. The Queensland government offered to legis-

late so that the project could override the title issues, but the suggestion provoked controversy.

Last July, RTZ-CRA called a halt to site work, rejected the government's offer and moved to begin negotiations under the lengthy but prescribed process set down by Australia's Native Title Act.

This provides for an arbitrated solution if parties cannot agree, but in the event this was not necessary.

The London-based company has already agreed to sell Century to Pasminco, the Australian zinc producer, for A\$345m, but the deal was subject to the native title claims being resolved.

RTZ-CRA said in January it had already spent about A\$240m on Century and the nearby Dugald River deposit, which is also being sold to Pasminco.

Yesterday, Pasminco, the world's largest zinc producer, welcomed the agreement and said it would push ahead with mine development as soon as possible.

Century is set to produce about 450,000 tonnes of zinc concentrate when it reaches full production. Its development is crucial for Pasminco, which needs to source "clean concentrates" to meet the environmental standards required by its Dutch smelter. Century is seen as the only significantly large-scale supplier.

RTZ-CRA results, UK Companies

COMMODITIES NEWS DIGEST

Central bank sales 'overshadow gold'

Central bank sales of gold were the "single most important influence on the market last year" and the threat of more selling will dominate prices in the immediate future, Gold Fields Mineral Services said yesterday. The company's annual gold survey predicts that gold will continue to be overshadowed, in particular by the prospect of European Union countries holding 30 per cent of world gold reserves, and a "new generation of (central bank) managers without the reverence for gold of their predecessors" are "inclined to view their bullion reserves as little different in principle from foreign exchange".

Scant investor interest, nervousness over official selling, slightly increased supply and only marginally higher demand from fabricators combined to prevent the average price for gold in 1996 as a whole from advancing significantly; it moved up just 1 per cent, to \$387.57 a troy ounce, from \$384.05 in 1995. Reflecting an increasingly widely-held view, the analysis suggests this price is unlikely to move much this year. "The gold market... fears that there could be pre-emptive gold sales [by central banks] while countries still have autonomy in the run-up to Euro," it says.

Gary Mead

Russia to release diamonds

More than \$100m worth of diamonds bought by De Beers, but trapped in Russia by government red tape, can now be taken out of the country, Russian officials said. The diamonds will be released thanks to a recent government order which has given Almazay Rossi Sakha, Russia's leading diamond producer, the right to export diamonds until the end of May. The diamonds were bought by De Beers from ARS in February.

ARS officials said they were hopeful the government would soon give the company the right to export diamonds for the rest of the year. The order granting export permission for May was signed on April 26 by Mr Victor Chernomyrdin, the Russian premier.

The temporary export permission is the latest twist in the Kremlin's confused diamond policy, whose constant shifts have thrown the Russian diamond industry into chaos and ruptured a relationship between Russia and De Beers established nearly half a century ago. In London yesterday, De Beers said it was "seeking confirmation" that the order had been signed.

Christina Freeland, Moscow

Copenhagen clears Roundup

Suspicious that traces of the herbicide Roundup had been found in Copenhagen's water supply have been dismissed by its water authority. Traces of Ampra, the residue found in water samples, were not from Roundup but from detergents used to wash the bottles used for the tests by a laboratory in the Netherlands, said Mr Gert Fischer, director of the city's water supply agency.

Monsanto, the US chemicals company which produces Roundup, has denied throughout that the traces of Ampra could derive from Roundup, which is thought to be safe to use because it is rapidly broken down into harmless substances in the earth.

Hilary Barnes, Copenhagen

COMMODITIES PRICES

BASE METALS

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

| | Cash | 3 mths |
|----------------------|------------|-----------|
| Close | 1614.5-5.5 | 1642-3 |
| Previous | 1599-99 | 1628-30 |
| High/Low | 1602/1634 | 1602/1634 |
| AM Official | 1606.5-07 | 1634-34.5 |
| Kerb close | 1660-1 | |
| Open int. | 276,237 | |
| Total daily turnover | 13,616 | |

ALUMINIUM ALLOY (\$ per tonne)

| | Close | Previous |
|----------------------|---------|-----------|
| 1405-80 | 1510-2 | 1495-50 |
| High/Low | 1470-75 | 1515/1500 |
| AM Official | 1480-85 | 1505-10 |
| Kerb close | 1505-10 | 1510-15 |
| Open int. | 5,496 | |
| Total daily turnover | 1,156 | |

LEAD (\$ per tonne)

| | Close | Previous |
|----------------------|---------|-----------|
| 612-4 | 622-5 | 615-5-6.5 |
| High/Low | 622/622 | 622/622 |
| AM Official | 614-6 | 625-5-6 |
| Kerb close | 625-6 | 625-6 |
| Open int. | 35,919 | |
| Total daily turnover | 5,840 | |

NICKEL (\$ per tonne)

| | Close | Previous |
|----------------------|---------|-----------|
| 7445-55 | 7460-65 | 7330-40 |
| High/Low | 7330-40 | 7460/7480 |
| AM Official | 7390-95 | 7505-10 |
| Kerb close | 7505-10 | 7610-20 |
| Open int. | 48,415 | |
| Total daily turnover | 26,274 | |

TIN (\$ per tonne)

| | Close | Previous |
|----------------------|---------|-----------|
| 5735-45 | 5770-80 | 5765-75 |
| High/Low | 5765-75 | 5810/5770 |
| AM Official | 5755-55 | 5785-85 |
| Kerb close | 5785-85 | 5790-95 |
| Open int. | 17,008 | |
| Total daily turnover | 4,056 | |

ZINC, special high grade (\$ per tonne)

| | Close | Previous |
|----------------------|------------|------------|
| 1255.5-6.5 | 1277-8 | 1255.5-6.5 |
| High/Low | 1255.5-6.5 | 1267/1274 |
| AM Official | 1261-62 | 1282-83 |
| Kerb close | 1282-83 | 1287-8 |
| Open int. | 86,189 | |
| Total daily turnover | 17,734 | |

COPPER, grade A (\$ per tonne)

| | Close | Previous |
|----------------------|-------------|-------------|
| 2408-10 | 2393-4 | 2429.5-31.5 |
| High/Low | 2429.5-31.5 | 2370/2348 |
| AM Official | 2425-26 | 2393-0.5 |
| Kerb close | 2393-0.5 | |
| Open int. | 134,898 | |
| Total daily turnover | 42,698 | |

LME ALUMINIUM 5% rate: 1.6371

LME Closing 5% rate: 1.6370

Set 1.6369 5 mths: 1.6369 5 mths: 1.6371 1 mths: 1.6372

HIGH GRADE COPPER (COMEX)

| | Sett | Day's | High | Low | Vol | Open |
|-------|--------|-------|--------|--------|-------|-------|
| May | 111.10 | +1.35 | 111.30 | 109.70 | 89 | 4.26 |
| Jun | 111.05 | +1.50 | 111.10 | 110.00 | 75 | 2.58 |
| Jul | 110.45 | +1.40 | 110.50 | 109.00 | 4,487 | 24.93 |
| Aug | 108.60 | +1.45 | 108.70 | 106.20 | 38 | 1.35 |
| Sep | 107.30 | +1.55 | 107.35 | 105.00 | 349 | 5.32 |
| Oct | 105.45 | +1.40 | - | - | 80 | 1.04 |
| Total | | | | | 6,018 | 51.29 |

PRECIOUS METALS

(Prices supplied by N M Rothschild)

| | Sett | Day's | High | Low | Vol | Open |
|----------------|---------------|----------|-----------|-----|-----|------|
| Gold (Troy oz) | \$ price | \$ equiv | \$F equiv | | | |
| Close | 341.00-341.50 | | | | | |
| Opening | 340.40-340.70 | | | | | |
| Morning fix | 340.65 | 208.581 | 487.485 | | | |
| Afternoon fix | 341.10 | 208.242 | 486.982 | | | |
| Day's High | 341.50-341.80 | | | | | |
| Day's Low | 340.05-340.35 | | | | | |
| Previous close | 340.50-341.00 | | | | | |

Lean Live Hogs Good Leading Rates (No US\$)

| | 1 month | 4.80 | 6 months | 4.77 |
|----------|---------|------|----------|------|
| 3 months | 4.78 | | | |
| Spot | 298.15 | | | |
| 3 months | 298.15 | | | |
| 6 months | 298.35 | | | |
| 1 year | 298.10 | | | |

Gold Coins

| | \$ price | \$ equiv |
|---------------|----------|----------|
| Kruggerand | 340-342 | 207-208 |
| Maple Leaf | 340-342 | 207-208 |
| New Sovereign | 30-83 | 48-50 |

Precious Metals continued

GOLD COMEX (100 Troy oz; \$/troy oz)

| | Sett | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|---------|
| May | 341.2 | +1.0 | - | - | 1 | 1 |
| Jun | 342.4 | +0.3 | 343.3 | 341.4 | 22,808 | 76,375 |
| Jul | 345.1 | +0.9 | 346.6 | 344.5 | 307 | 18,431 |
| Aug | 347.8 | +0.9 | 348.0 | 346.0 | 13 | 8,313 |
| Sep | 350.7 | +1.0 | 351.3 | 349.5 | 771 | 21,287 |
| Oct | 353.6 | +1.1 | - | - | 1 | 4,707 |
| Total | | | | | 24,903 | 188,134 |

PLATINUM NYMEX (50 Troy oz; \$/troy oz)

| | Sett | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|-------|--------|
| Jul | 372.9 | -0.1 | 374.0 | 370.5 | 1,335 | 12,840 |
| Oct | 374.3 | -0.1 | 374.5 | 372.5 | 294 | 3,046 |
| Nov | 376.5 | -0.1 | - | - | 1 | 1,180 |
| Dec | 378.0 | -0.1 | - | - | 1 | 1,468 |
| Total | | | | | 1,468 | 17,468 |

PALLADIUM NYMEX (100 Troy oz; \$/troy oz)

| | Sett | Day's | High | Low | Vol | Open |
|-------|--------|-------|--------|--------|-------|-------|
| Jan | 155.00 | -1.20 | 158.70 | 153.20 | 871 | 6,385 |
| Sep | 154.75 | -0.95 | 159.00 | 153.50 | 375 | 2,777 |
| Oct | 154.75 | -0.95 | - | - | 92 | 368 |
| Total | | | | | 1,428 | 9,530 |

SILVER COMEX (50,000 Troy oz; \$/troy oz)

| | Sett | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|--------|
| May | 471.7 | +2.6 | 472.5 | 468.0 | 95 | 297 |
| Jun | 473.4 | +2.5 | 473.0 | 470.0 | 10,894 | 57,736 |
| Jul | 480.7 | +2.5 | 482.0 | 478.0 | 180 | 5,533 |
| Aug | 488.0 | +2.6 | 488.0 | 487.0 | 50 | 7,336 |
| Sep | 490.3 | +2.6 | - | - | 1 | 18 |
| Oct | 495.7 | +2.6 | 498.0 | 496.0 | 28 | 7,332 |
| Total | | | | | 12,246 | 86,192 |

ENERGY

CRUDE OIL NYMEX (1,000 barrels; \$/barrel)

| | Sett | Day's | High | Low | Vol | Open |
|-------|-------|-------|-------|-------|--------|---------|
| Jan | 18.81 | +0.15 | 19.00 | 18.57 | 40,542 | 80,219 |
| Jul | 18.80 | +0.13 | 18.95 | 18.72 | 5,992 | 54,919 |
| Aug | 18.84 | +0.06 | 19.35 | 18.74 | 5,820 | 30,492 |
| Sep | 18.86 | +0.07 | 18.92 | 18.80 | 2,501 | 18,692 |
| Oct | 18.88 | +0.08 | 18.90 | 18.82 | 1,033 | 15,851 |
| Nov | 18.84 | +0.05 | 18.90 | 18.82 | 367 | 13,536 |
| Total | | | | | 72,279 | 282,769 |

CRUDE OIL IPE (\$/barrel)

| | Sett | Day's | High |
|--|------|-------|------|
|--|------|-------|------|

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LONDON STOCK EXCHANGE

Footsie off best but still at closing high

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

Further overseas buying in the wake of Tuesday's change to UK interest rate management drove share prices to fresh peaks in London yesterday.

There was additional encouragement for stocks from the latest UK economic news, which showed industrial production and manufacturing output both down 0.1 per cent in March, compared with forecast rises of 0.6 per cent and 0.3 per cent respectively.

The numbers were viewed by market observers as lessening

the chances of a further rise in UK interest rates in the short term. Cites finished the session around 7 to 8 ticks lower but were never pressured, according to dealers.

The buying from overseas funds was accompanied by a revival of support from some of the UK investment management groups, most of which preferred to keep out of the market during the run up to the election.

But London's sparkling early performance was dampened in the early afternoon, however, when news of a stronger than forecast US labour report brought a halt to the recent surge on Wall Street, where the

Dow Jones Industrial Average turned down sharply. The Dow extended an early fall to one of over 50 points within half an hour of the London close.

A 2.7 per cent rise in US non-farm unit labour costs in the first quarter was seen as having inflationary implications.

The next monetary policy meeting of the Federal Reserve is on May 20 and dealers in London said Wall Street could have seen its best levels until that meeting is over.

The FTSE 100 index followed up its 63.7-point gain on Tuesday with a further 18.2 advance to a record close of 4,597.5, a two-day rise of 81.9 or 1.9 per cent. In

mid-morning, Footsie hit a new intra-day peak of 4,562.0.

The second time smaller capitalised issues, while by no means friendless, continued to underperform the leaders. The FTSE 250 finished 1.2 off at 4,519.0, but never looked in good form, and at its best was only 3.0 higher on the day.

The SmallCap rose 3.7 to 2,304.9, having been 4.3 higher at one point.

Dealers repeated Tuesday's story that much of the early buying interest came from overseas investors; activity from UK fund managers, they said, was mainly confined to sector and stock rotation. Overall, they suggested, the

market still felt very strong, given the firmness of gilts.

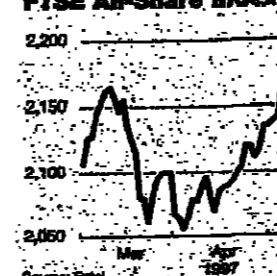
Financial stocks remained strong, although closing off their best levels, after the chancellor's move to allow interest rates to be set by the Bank of England. The sector has been one of the real driving forces behind the London market in recent months. Dealers

insisted the "Halifax effect" was still of crucial importance.

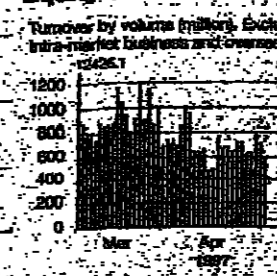
The Halifax's conversion to banking status, involving the issue of free shares, means index tracking funds have still not lifted their weightings in what is the market's biggest sector.

Turnover at 6pm was 803m shares.

FTSE All-Share Index



Equity shares traded



Indices and ratios

| | | | | | |
|----------------------|--------|-------|-----------------------|--------|-------|
| FTSE 100 | 4597.5 | +18.2 | FT 30 | 2947.9 | +15.0 |
| FTSE 250 | 4519.0 | -1.2 | FTSE Non-Fin p/e | 18.65 | 18.59 |
| FTSE 350 | 2210.3 | +7.0 | FTSE100/Fut Jun | 4553.0 | +16.0 |
| FTSE All-Share | 2173.9 | +6.4 | 10 yr gilt yield | 7.14 | 7.11 |
| FTSE All-Share yield | 3.53 | 3.56 | Long gilt/yield ratio | 2.05 | 2.01 |

Best performing sectors

| | | | |
|--------------------|------|-------------------------------|------|
| 1 Chemicals | +2.0 | 1 Tobacco | -0.7 |
| 2 Life Assurance | +1.7 | 2 Building Materials & Merchs | -0.5 |
| 3 Property | +1.6 | 3 Oil Exploration | -0.5 |
| 4 Leisure & Hotels | +1.2 | 4 Pharmaceuticals | -0.5 |
| 5 Electricity | +1.1 | 5 Engineering | -0.3 |

Worst performing sectors

| | | | |
|-------------------------------|------|-------------------------------|------|
| 1 Tobacco | -0.7 | 1 Tobacco | -0.7 |
| 2 Building Materials & Merchs | -0.5 | 2 Building Materials & Merchs | -0.5 |
| 3 Oil Exploration | -0.5 | 3 Oil Exploration | -0.5 |
| 4 Pharmaceuticals | -0.5 | 4 Pharmaceuticals | -0.5 |
| 5 Engineering | -0.3 | 5 Engineering | -0.3 |

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LFFE) £25 per full index point (APT)

| | Open | Sell price | Change | High | Low | Est. Vol | Open Int |
|-----|--------|------------|--------|--------|--------|----------|----------|
| Jun | 4593.0 | 4593.0 | +16.0 | 4575.0 | 4531.0 | 92 | 6772 |
| Sep | 4598.0 | 4598.0 | +16.0 | 4580.0 | 4536.0 | 10 | 3463 |
| Dec | 4627.5 | 4627.5 | +14.5 | 4607.5 | 4572.5 | 10 | 320 |

FTSE 250 INDEX FUTURES (LFFE) £10 per full index point

| | Open | Sell price | Change | High | Low | Est. Vol | Open Int |
|-----|--------|------------|--------|--------|--------|----------|----------|
| Jun | 4540.0 | 4540.0 | +0 | 4510.0 | 4481.0 | 0 | 4891 |

FTSE 350 INDEX FUTURES (LFFE) £10 per full index point

| | Open | Sell price | Change | High | Low | Est. Vol | Open Int |
|-----|--------|------------|--------|--------|--------|----------|----------|
| Jun | 4540.0 | 4540.0 | +0 | 4510.0 | 4481.0 | 0 | 4891 |

FTSE 100 INDEX OPTION (LFFE) £4541 £10 per full index point

| | Open | Sell price | Change | High | Low | Est. Vol | Open Int |
|-------------|---------|------------|--------|------|-----|----------|----------|
| May 28/97 | 1 188.5 | 2 122.4 | 78 | 10 | 41 | 23 | 14.4 |
| Jun 4/97 | 1 200.0 | 2 180.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 11/97 | 1 220.0 | 2 200.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 18/97 | 1 240.0 | 2 220.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 25/97 | 1 260.0 | 2 240.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 2/97 | 1 280.0 | 2 260.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 9/97 | 1 300.0 | 2 280.0 | 122 | 48 | 51 | 53 | 89.5 |
| Dec 16/97 | 1 320.0 | 2 300.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jan 13/98 | 1 340.0 | 2 320.0 | 122 | 48 | 51 | 53 | 89.5 |
| Feb 20/98 | 1 360.0 | 2 340.0 | 122 | 48 | 51 | 53 | 89.5 |
| Mar 27/98 | 1 380.0 | 2 360.0 | 122 | 48 | 51 | 53 | 89.5 |
| Apr 3/98 | 1 400.0 | 2 380.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 10/98 | 1 420.0 | 2 400.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 17/98 | 1 440.0 | 2 420.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 24/98 | 1 460.0 | 2 440.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 31/98 | 1 480.0 | 2 460.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 7/98 | 1 500.0 | 2 480.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 14/98 | 1 520.0 | 2 500.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 21/98 | 1 540.0 | 2 520.0 | 122 | 48 | 51 | 53 | 89.5 |
| Dec 28/98 | 1 560.0 | 2 540.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jan 4/99 | 1 580.0 | 2 560.0 | 122 | 48 | 51 | 53 | 89.5 |
| Feb 11/99 | 1 600.0 | 2 580.0 | 122 | 48 | 51 | 53 | 89.5 |
| Mar 18/99 | 1 620.0 | 2 600.0 | 122 | 48 | 51 | 53 | 89.5 |
| Apr 25/99 | 1 640.0 | 2 620.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 2/99 | 1 660.0 | 2 640.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 9/99 | 1 680.0 | 2 660.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 16/99 | 1 700.0 | 2 680.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 23/99 | 1 720.0 | 2 700.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 30/99 | 1 740.0 | 2 720.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 6/99 | 1 760.0 | 2 740.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 13/99 | 1 780.0 | 2 760.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 20/99 | 1 800.0 | 2 780.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 27/99 | 1 820.0 | 2 800.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 4/99 | 1 840.0 | 2 820.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 11/99 | 1 860.0 | 2 840.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 18/99 | 1 880.0 | 2 860.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 25/99 | 1 900.0 | 2 880.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 1/99 | 1 920.0 | 2 900.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 8/99 | 1 940.0 | 2 920.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 15/99 | 1 960.0 | 2 940.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 22/99 | 1 980.0 | 2 960.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 29/99 | 2 000.0 | 2 980.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 5/99 | 2 020.0 | 3 000.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 12/99 | 2 040.0 | 3 020.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 19/99 | 2 060.0 | 3 040.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 26/99 | 2 080.0 | 3 060.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 3/99 | 2 100.0 | 3 080.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 10/99 | 2 120.0 | 3 100.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 17/99 | 2 140.0 | 3 120.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 24/99 | 2 160.0 | 3 140.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 31/99 | 2 180.0 | 3 160.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 7/99 | 2 200.0 | 3 180.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 14/99 | 2 220.0 | 3 200.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 21/99 | 2 240.0 | 3 220.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 28/99 | 2 260.0 | 3 240.0 | 122 | 48 | 51 | 53 | 89.5 |
| Dec 5/99 | 2 280.0 | 3 260.0 | 122 | 48 | 51 | 53 | 89.5 |
| Dec 12/99 | 2 300.0 | 3 280.0 | 122 | 48 | 51 | 53 | 89.5 |
| Dec 19/99 | 2 320.0 | 3 300.0 | 122 | 48 | 51 | 53 | 89.5 |
| Dec 26/99 | 2 340.0 | 3 320.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jan 2/2000 | 2 360.0 | 3 340.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jan 9/2000 | 2 380.0 | 3 360.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jan 16/2000 | 2 400.0 | 3 380.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jan 23/2000 | 2 420.0 | 3 400.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jan 30/2000 | 2 440.0 | 3 420.0 | 122 | 48 | 51 | 53 | 89.5 |
| Feb 6/2000 | 2 460.0 | 3 440.0 | 122 | 48 | 51 | 53 | 89.5 |
| Feb 13/2000 | 2 480.0 | 3 460.0 | 122 | 48 | 51 | 53 | 89.5 |
| Feb 20/2000 | 2 500.0 | 3 480.0 | 122 | 48 | 51 | 53 | 89.5 |
| Feb 27/2000 | 2 520.0 | 3 500.0 | 122 | 48 | 51 | 53 | 89.5 |
| Mar 6/2000 | 2 540.0 | 3 520.0 | 122 | 48 | 51 | 53 | 89.5 |
| Mar 13/2000 | 2 560.0 | 3 540.0 | 122 | 48 | 51 | 53 | 89.5 |
| Mar 20/2000 | 2 580.0 | 3 560.0 | 122 | 48 | 51 | 53 | 89.5 |
| Mar 27/2000 | 2 600.0 | 3 580.0 | 122 | 48 | 51 | 53 | 89.5 |
| Apr 3/2000 | 2 620.0 | 3 600.0 | 122 | 48 | 51 | 53 | 89.5 |
| Apr 10/2000 | 2 640.0 | 3 620.0 | 122 | 48 | 51 | 53 | 89.5 |
| Apr 17/2000 | 2 660.0 | 3 640.0 | 122 | 48 | 51 | 53 | 89.5 |
| Apr 24/2000 | 2 680.0 | 3 660.0 | 122 | 48 | 51 | 53 | 89.5 |
| Apr 30/2000 | 2 700.0 | 3 680.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 7/2000 | 2 720.0 | 3 700.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 14/2000 | 2 740.0 | 3 720.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 21/2000 | 2 760.0 | 3 740.0 | 122 | 48 | 51 | 53 | 89.5 |
| May 28/2000 | 2 780.0 | 3 760.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 4/2000 | 2 800.0 | 3 780.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 11/2000 | 2 820.0 | 3 800.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 18/2000 | 2 840.0 | 3 820.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jun 25/2000 | 2 860.0 | 3 840.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 2/2000 | 2 880.0 | 3 860.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 9/2000 | 2 900.0 | 3 880.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 16/2000 | 2 920.0 | 3 900.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 23/2000 | 2 940.0 | 3 920.0 | 122 | 48 | 51 | 53 | 89.5 |
| Jul 30/2000 | 2 960.0 | 3 940.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 6/2000 | 2 980.0 | 3 960.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 13/2000 | 3 000.0 | 3 980.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 20/2000 | 3 020.0 | 4 000.0 | 122 | 48 | 51 | 53 | 89.5 |
| Aug 27/2000 | 3 040.0 | 4 020.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 3/2000 | 3 060.0 | 4 040.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 10/2000 | 3 080.0 | 4 060.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 17/2000 | 3 100.0 | 4 080.0 | 122 | 48 | 51 | 53 | 89.5 |
| Sep 24/2000 | 3 120.0 | 4 100.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 1/2000 | 3 140.0 | 4 120.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 8/2000 | 3 160.0 | 4 140.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 15/2000 | 3 180.0 | 4 160.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 22/2000 | 3 200.0 | 4 180.0 | 122 | 48 | 51 | 53 | 89.5 |
| Oct 29/2000 | 3 220.0 | 4 200.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 5/2000 | 3 240.0 | 4 220.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 12/2000 | 3 260.0 | 4 240.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 19/2000 | 3 280.0 | 4 260.0 | 122 | 48 | 51 | 53 | 89.5 |
| Nov 26/2000 | 3 300.0 | 4 280.0 | 122 | 48 | 51 | 53 | 89.5 |

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

| EUROPE | | | | | | | | | |
|---------------------------|----------|----------|----------|----------|----------|----|--|--|--|
| Austria (May 7/97) | | | | | | | | | |
| ATX | 2,156.50 | 2,167.00 | 2,156.50 | 2,162 | 2,152.57 | 21 | | | |
| Belgium (May 7/97) | | | | | | | | | |
| BEX | 2,217.21 | 2,217.47 | 2,217.21 | 2,215.40 | 2,215.22 | 91 | | | |
| Denmark (May 7/97) | | | | | | | | | |
| OMXC20 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| France (May 7/97) | | | | | | | | | |
| CAC | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Germany (May 7/97) | | | | | | | | | |
| DAX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Greece (May 7/97) | | | | | | | | | |
| ASE | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Ireland (May 7/97) | | | | | | | | | |
| ISEQ | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Italy (May 7/97) | | | | | | | | | |
| FTSEMIB | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Japan (May 7/97) | | | | | | | | | |
| Nikkei | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Netherlands (May 7/97) | | | | | | | | | |
| AEX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Portugal (May 7/97) | | | | | | | | | |
| BVL | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Spain (May 7/97) | | | | | | | | | |
| IBEX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Sweden (May 7/97) | | | | | | | | | |
| OMXC20 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Switzerland (May 7/97) | | | | | | | | | |
| SIX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Turkey (May 7/97) | | | | | | | | | |
| BIST | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| United Kingdom (May 7/97) | | | | | | | | | |
| FTSE 100 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| USA (May 7/97) | | | | | | | | | |
| Dow Jones | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Africa | | | | | | | | | |
| South Africa (May 7/97) | | | | | | | | | |
| FTSE-JSE | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Asia | | | | | | | | | |
| Australia (May 7/97) | | | | | | | | | |
| ASX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Canada (May 7/97) | | | | | | | | | |
| TSX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Hong Kong (May 7/97) | | | | | | | | | |
| HSX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| India (May 7/97) | | | | | | | | | |
| BSE | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Indonesia (May 7/97) | | | | | | | | | |
| IDX | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Malaysia (May 7/97) | | | | | | | | | |
| FTSE-MAL | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| New Zealand (May 7/97) | | | | | | | | | |
| NZSE | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Singapore (May 7/97) | | | | | | | | | |
| STSE | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| South Korea (May 7/97) | | | | | | | | | |
| KOSPI | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Taiwan (May 7/97) | | | | | | | | | |
| TSE | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Thailand (May 7/97) | | | | | | | | | |
| SET | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Vietnam (May 7/97) | | | | | | | | | |
| VSE | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |


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| INDICES | | | | | | | | | |
|-------------|----------|----------|----------|----------|----------|----|--|--|--|
| May 7 | | | | | | | | | |
| Argentina | 2,156.50 | 2,167.00 | 2,156.50 | 2,162 | 2,152.57 | 21 | | | |
| Australia | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Canada | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| France | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Germany | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| India | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Indonesia | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Japan | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Malaysia | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Netherlands | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| New Zealand | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Portugal | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Spain | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Sweden | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Switzerland | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Taiwan | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Thailand | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Turkey | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| USA | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| Vietnam | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| US INDICES | | | | | | | | | |
| Dow Jones | | | | | | | | | |
| May 7 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 6 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 5 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 4 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 3 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 2 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 1 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 31 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 30 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 29 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 28 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 27 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 26 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 25 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 24 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 23 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 22 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 21 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 20 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 19 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 18 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 17 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 16 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 15 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 14 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 13 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 12 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 11 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 10 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 9 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 8 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 7 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 6 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 5 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 4 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 3 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 2 | 2,254.75 | 2,254.97 | 2,254.75 | 2,254.97 | 2,254.97 | 55 | | | |
| May 1 | | | | | | | | | |

NEW YORK STOCK EXCHANGE PRICES



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Abstract—The purpose of this study was to determine if there were differences in the prevalence of musculoskeletal disorders among different types of workers. The subjects included all employees of a large manufacturing company who had been employed at least one year. Data were obtained from a questionnaire sent to each employee asking about symptoms of musculoskeletal disorders and work-related factors. The results showed that the prevalence of musculoskeletal disorders was higher among nonunion than union workers. This finding may be due to several reasons, such as differences in job characteristics or access to health care services.

NASDAQ NATIONAL MARKET[illegible]

| | | | | | |
|--------|-----|------------------|------------------|------------------|------------------|
| Hybrid | 328 | 57 $\frac{1}{2}$ | 51 $\frac{1}{2}$ | 57 $\frac{1}{2}$ | +3 $\frac{1}{2}$ |
| Hybrid | 68 | 24 $\frac{1}{2}$ | 2 | 2 | |

| | | | | | |
|------------|----|-----|-----|------|----|
| Chirp | 13 | 116 | 204 | 45.5 | -1 |
| Crater | 11 | 188 | 34 | 16.5 | -8 |
| Crater 2 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 3 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 4 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 5 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 6 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 7 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 8 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 9 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 10 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 11 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 12 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 13 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 14 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 15 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 16 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 17 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 18 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 19 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 20 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 21 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 22 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 23 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 24 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 25 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 26 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 27 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 28 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 29 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 30 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 31 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 32 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 33 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 34 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 35 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 36 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 37 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 38 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 39 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 40 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 41 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 42 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 43 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 44 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 45 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 46 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 47 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 48 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 49 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 50 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 51 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 52 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 53 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 54 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 55 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 56 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 57 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 58 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 59 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 60 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 61 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 62 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 63 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 64 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 65 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 66 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 67 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 68 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 69 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 70 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 71 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 72 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 73 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 74 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 75 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 76 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 77 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 78 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 79 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 80 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 81 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 82 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 83 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 84 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 85 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 86 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 87 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 88 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 89 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 90 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 91 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 92 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 93 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 94 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 95 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 96 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 97 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 98 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 99 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 100 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 101 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 102 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 103 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 104 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 105 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 106 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 107 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 108 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 109 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 110 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 111 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 112 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 113 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 114 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 115 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 116 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 117 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 118 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 119 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 120 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 121 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 122 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 123 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 124 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 125 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 126 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 127 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 128 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 129 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 130 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 131 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 132 | 11 | 188 | 34 | 16.5 | -8 |
| Crater 133 | 11 | 188 | 34 | 16.5 | -8 |
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| Company | Mid price | Change on day | Volume | High | Low | Company | Mid price | Change on day | Volume | High | Low |
|-----------------|------------|---------------|--------|------|-----|------------------|-----------|---------------|--------|-------|--------|
| ActivCard | US\$7.126 | | 0 | 8.26 | 7 | Espr Telecom ADS | US\$5.75 | -0.125 | 1380 | 12.28 | 5.75 |
| Network Systems | US\$10.575 | | 12800 | 11 | 9.5 | Inogenetics | US\$11.5 | -0.125 | 22200 | 12.75 | 10.375 |
| | 55000 | | | | | | US\$6.30 | 0.025 | 2 | 14.75 | 14.5 |

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| Company | Mkt price | Change | Volume | High | Low | Company | Mkt price | Change | Volume | High | Low |
|---------------|------------|--------|--------|------|------|--------------------|-----------|--------|--------|-------|--------|
| AdmComp | US\$7.125 | 0 | 8,250 | 7 | 6.75 | Esprit Telecom ADS | US\$5.75 | -0.125 | 13,000 | 12.25 | 5.75 |
| Adnet Systems | US\$10.575 | 12,000 | 11 | 9.5 | 8.75 | Integrations | US\$11.5 | -0.125 | 22,200 | 12.75 | 10.375 |

Dow slips back as Bourses fall back on profit-taking

bond yields rise

AMERICAS

Falling bond prices helped to take the shine off US blue chips at mid-session, and the market lost some of the gains made in recent record-breaking sessions, writes *Jane Martinson in New York*.

The Dow Jones Industrial Average fell 56.59 to 7,188.73 at 1pm in relatively active trading of 278.55m shares.

Both bonds and US stocks started the day down in anticipation of an auction of 10-year notes.

Mr Jeffrey Applegate, chief investment strategist of Lehman Brothers, said that there was no fundamental reason for the downturn. "The equity market is fairly stretched in interest rate valuations compared to bonds, so when bonds go down equities are likely to go down with them," he said.

The Dow saw by far the greatest decline after achieving the strongest growth over the previous two days. Elsewhere, trading was particularly active and optimistic about the

steadier performance of the technology-driven Nasdaq composite index, which was up 2.82 at 1,351.22. Traders were hopeful that the index would lead others in a further rebound.

The broader-based S & P composite index lost 3.28 at 824.48, while the Russell 2000, a smaller company index that has been moving up in the past two weeks also followed the larger market down.

Blue chips were broadly lower with financials, retailers and consumer groups all contributing to the setback.

The Walt Disney group was down 1 1/4% or 1.4 per cent at \$14, while J.P. Morgan fell 1 1/4% to \$103.74.

Among Nasdaq stocks, Dell computers was one of yesterday's star performers, with a 3 1/4% or 3.5 per cent rise to \$69.7.

CNA Financial, traded on Amex, fell 1 1/4% to \$100.74 after the large general insurer disappointed the market with results that were significantly below that of expectations.

TORONTO drifted lower as sentiment continued to suffer from the backwash from the Enron-Minerals scandal. At noon, the TSE-300 composite index was off 15.06 at 6,114.90.

Gold leaders were a firm feature, with Barrick Gold adding 40 cents to C\$32.85 on what dealers described as a flight to quality among sector enthusiasts. But most big capitalisation stocks lost ground.

Enx, which disintegrated on Tuesday when trading in the exploration group resumed, was little changed at 9 cents but again well dealt at 14m shares.

SAO PAULO saw preferred shares of Cia Vale do Rio Doce, the state mining paper and pulp conglomerate, drop 6.5 per cent at mid-session on profit-taking amid some disappointment that the company's privatisation auction on Tuesday had not drawn a higher premium.

The shares fell R\$1.80 to R\$28.6, and contributed to a fall of 76 in the Bovespa index to 10,143.

EUROPE

Weakness in the dollar, bonds and, later, in the Dow persuaded most bourses that more profit-taking was in order ahead of today's Ascension Day holiday.

FRANKFURT was led lower by its stock of the year, Volkswagen, as the Dax index came back 11.07 to an intraday low of 3,537.45.

VW ended DM47 or 3.9 per cent lower at DM1,147, but the carmaker was coming back after a 1997 gain of 88 per cent. Bayer dropped DM1.20 or 2.6 per cent to DM66.90 although it said that its DM46m compensation for families of AIDS victims in the US, infected by tainted blood products between 1978 and 1985, would not affect profits since the payouts were covered by insurance and provisions.

Among the winners, Lufthansa rose another 49 pig to DM26.98 after the airline posted its first ever fourth-quarter profit, and forecast higher returns in 1997. Veba, too, climbed further, the energy-based company gaining DM1.53 at DM94.45 following Tuesday's better than expected first quarter.

PARIS gave up early gains to close with the CAC 40 index off 6.62 at 2,643.31.

Carrefour and Saint Gobain were bright spots. The retail leader rallied FF34 to FF37.73, helped by a "market outperform" rating from Goldman Sachs. An upbeat analysts' meeting left Saint Gobain FF7 better at FF7.68.

Banque Paribas fell FF2.26 to FF7.77 for a two-day decline of 5 per cent following a broker downgrade. Lagardere and Alcatel Alsthom, which formally lodged their bids for Thomson-CSF, were also weak. Lagardere came off FF4 to FF17.6 and Alcatel by FF6 to FF6.47.

Among smaller capitalisations, management changes pushed Casino down FF3.50 to FF7.72. Cap Gemini fell FF6.50 to FF34.19 on disappointing sales.

AMSTERDAM drifted lower in another session of very narrow trading. The AEX index ended down 5.77 at 775.99 with up to four points of the downturn possibly caused by constituent companies going ex dividend.

Financials were weak with ING shedding F1.16 to F17.70 and Fortis Amey F1.60 to F17.40. Unilever, which realised less than expected on the sale of its specialty chemicals operations, retreated F1.25 to F17.95.

Stork finalised a big gas field renovation contract and added F1.2 to F18.40.

MILAN's bout of profit-taking left the real-time Mibtel index down 98 at 12,326.

Edison fell L\$2 to L\$2.79 after Eni and Enel reached agreement to set up a power

generating venture. HPI was down another L\$6.7 at L\$43 as the stock continued to suffer from the failed merger with Marzotto. Mediobanca, which had brokered the deal, fell L\$9 to L\$10.287, while Marzotto picked up L\$8 to L\$13.309.

ISI rose L\$3 to L\$5.203 but Rinascente, planning a capital increase, tumbled L\$7.2 to L\$5.586 following Tuesday's deal with Auchan.

Benetton collected L\$8 at L\$37.16 on its forecast of a 6 to 7 per cent sales increase this year.

ZURICH erased some of Tuesday's losses as it headed back towards record territory and the SMI index recovered 7.6 to 5,016.0.

Nestle, lower during the previous session after first-quarter sales figures failed to live up to some expectations, recovered SF1.17 to SF1.819 after presentations to analysts in Zurich and London had sought to paint a more positive outlook.

Cyclical found favour, with ABB, up SF2.20 to SF1.853, proving one of the

FTSE Actuaries Share Indices

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| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close | | | | | | | | | |
| FTSE Eurostock 100 | 2287.84 | 2287.40 | 2286.52 | 2286.10 | 2286.54 | 2286.19 | 2286.17 | 2286.18 | 2286.18 | 2286.18 | 2286.18 | 2286.18 | 2286.18 | 2286.18 | 2286.18 | 2286.18 | |
| FTSE Eurostock 200 | 2284.84 | 2284.21 | 2283.24 | 2282.89 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | 2283.20 | |
| | | May 6 | May 2 | May 1 | May 1 | Apr 30 | Apr 29 | Apr 28 | | | | | | | | | |
| FTSE Eurostock 100 | 2289.32 | 2247.36 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | 2229.08 | |
| FTSE Eurostock 200 | 2282.75 | 2276.60 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | 2268.94 | |
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generating venture. HPI was down another L\$6.7 at L\$43 as the stock continued to suffer from the failed merger with Marzotto. Mediobanca, which had brokered the deal, fell L\$9 to L\$10.287, while Marzotto picked up L\$8 to L\$13.309.

ISI rose L\$3 to L\$5.203 but Rinascente, planning a capital increase, tumbled L\$7.2 to L\$5.586 following Tuesday's deal with Auchan.

Benetton collected L\$8 at L\$37.16 on its forecast of a 6 to 7 per cent sales increase this year.

ZURICH erased some of Tuesday's losses as it headed back towards record territory and the SMI index recovered 7.6 to 5,016.0.

Nestle, lower during the previous session after first-quarter sales figures failed to live up to some expectations, recovered SF1.17 to SF1.819 after presentations to analysts in Zurich and London had sought to paint a more positive outlook.

Cyclical found favour, with ABB, up SF2.20 to SF1.853, proving one of the

dramatically at its Banco Exterior unit. In BRUSSELS, Quick sizzled to a close of BF11.965, up BF90 on the day and by 12.3 per cent this week; on Monday BBL/Vermeylen-Raemdonck, the broker, raised the hamburger chain from "sell" to "hold".

VIENNA was enlivened by OMV, the energy and chemicals group, up Sch81.60 or 4.4 per cent at Sch1,448 after a healthy first quarter. HEL-SINKI featured TT Tieto, the data systems and software group, FM34 or 8 per cent higher at FM460 on first-quarter profits at the top end of analysts' forecasts.

COPENHAGEN had a mixed bag: Neurosearch put on DK23 or 6.3 per cent at DK354 after the biotech company announced first clinical trials, to be held in Britain, of NS 2710, a new anti-anxiety medication, but SAS, the airline group, dropped DK3.90 to DK36.10 following Tuesday's SEK28m first-quarter loss.

ISTANBUL added to Tuesday's 3 per cent recovery with a rise of another 3.1 per cent as liquidity improved and investors looked beyond the political worries that had put the market under pressure in previous sessions. The IMKB National-100 index jumped 45 to 1,478.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

South Africa lower after shake-out

Shares in Johannesburg ran into profit-taking, reversing a five-session upward burst that had lifted the all-share index by nearly 140 points to best-ever levels.

At the close, the all-share index was off 51.2 at 7,160.7,

pushed down by clear weakness in both industrials and gold.

Industrials fell 65.1 to 8,508.6 and golds tumbled 23.0 to 1,189.3.

Golds had the worst of the day with all sorts of nega-

tive talk about the bullion price running around the market.

Kloof tumbled 35 cents to R30.55.

Among industrials, South African Breweries shed 25 cents to R132.75.

Shares in Johannesburg ran into profit-taking, reversing a five-session upward burst that had lifted the all-share index by nearly 140 points to best-ever levels.

At the close, the all-share index was off 51.2 at 7,160.7,

Cabinet reshuffle sends Taipei higher

ASIA PACIFIC

Plans for a cabinet reshuffle sent TAIPEI sharply higher. Turnover rose to what brokers described as a sizzling T\$107m as investors piled into electronics shares.

The presidential call for cabinet changes was interpreted by brokers as the first step in a crackdown on the crime wave which has undermined market sentiment in recent weeks. At the close the weighted index was 133.80 or 1.6 per cent higher at 4,427.07.

United Micro and Taiwan Semiconductor both surged more than 6 per cent, rising T\$4 to T\$70 and T\$6 to T\$103.5 respectively.

TOKYO took profits after racking up substantial gains in its preceding five-day winning streak, writes *Gwen Robinson*.

The Nikkei 225 average fell 132.02 to 20,048.90 after moving between 19,953.10 and 20,237.32. There were growing concerns that stock prices had risen too rapidly, with the key index up more than 1,500 points in just five trading days, and more than 8 per cent since April 25.

Foreign investors continued to buy actively following New York's record high. Bargain-hunting by fund managers and continued steady buying by domestic pension funds were also noted, but a wave of profit-taking by domestic institutional investors brought the Nikkei back shortly before the close.

Volume eased from 715m shares to an estimated 580m. Declines led advances 676 to 443, with 148 unchanged. The Topix index of all first-session stocks shed 8.61 to 1,500.52 and the capital-weighted Nikkei 300 was off 1.70 at 291.94.

Securities houses rose nearly 1.5 per cent as the

recent scandal over Nomura Securities' illegal trading activities was digested.

Nomura added Y140 to Y1,580, Nikko Y21 to Y760, Yamaichi Y18 to Y365 and Daiwa Y20 to Y300.

Many blue-chip issues retreated on profit-taking. TDK fell Y50 to Y9,350, Toyota Y90 to Y3,940 and Bridgestone Y80 to Y2,860. However, Sony added Y130 to Y9,630 after a record high of Y9,670. Honda advanced Y20 to Y4,100 and Matsushita Electric Industrial added a further Y30 to Y2,300 on its announcement of its entry into Britain's digital broadcasting business.

Olympus Optical gained Y40 to Y1,100 on reports that profits would surge 50 per cent in the current business year to March. NTT, however, fell Y7,000 to Y980,000 after substantial gains in recent sessions.

In Osaka, the OSE average fell 94.89 to 31,097.16 and volumes surged to 87.9m shares.

In London, the ISE/Nikkei 50 index closed down 0.91 at 1,619.81.

BANGKOK took another battering to close with the SET index down 16.71 at 626.57, a two-day decline of 5 per cent.

There was some patchy bargain-hunting late in the

session, but investors were said mostly to be cutting financial sector weightings ahead of the compulsory disclosure of non-performing assets from the end of next month.

MANILA paid for a two-day rise of more than 6 per cent, sliding sharply on profit-taking to close with the composite index off 82.18 or 3 per cent at 2,694.40. PLDT fell 35 pesos to 745 pesos and Ayala Land ended off 1.25 pesos at 17.50.

KUALA LUMPUR picked up 1.6 per cent as a combination of local funds and foreign program buying lifted blue chips above the 1,100

point level, ahead of today's Muslim holiday. By the close, the composite index stood 17.14 higher at 1,107.14.

SEOUL tumbled 1.8 per cent, with investors troubled by Tuesday's debt default by Yu Sung, the textile group, and reports that Hansol Group companies had managed a Won7bn fund on behalf of an associate of President Kim Young-sam's son. The composite index lost 12.47 at 689.10.

Trading in Yu Sung was suspended for the day while the Hansol Group's flagship, Hansol Paper, fell Won1,700 to its daily limit of Won19,600.

Emerging markets: IFC weekly investable price indices

| Market | No. of stocks | Dollar terms | | Local currency terms | |
|----------------|---------------|--------------|-------------------------------|----------------------|-------------------------------|
| | | May 2 1997 | % Change over week on Dec '96 | May 2 1997 | % Change over week on Dec '96 |
| Latin America | (228) | 643.87 | +1.4 | 198.7 | +1.6 |
| Argentina | (30) | 1,072.11 | +3.5 | 197.28 | +3.5 |
| Brazil | (14) | 516.57 | +2.6 | 190.1 | +2.6 |
| Chile | (6) | 727.68 | +1.7 | 121.71 | +1.7 |
| Colombia | (14) | 815.71 | -0.7 | 1,543.33 | -0.2 |
| Costa Rica | (6) | 587.44 | -0.7 | 2,008.87 | -0.4 |
| Ecuador | (19) | 244.84 | +2.1 | 388.33 | +2.2 |
| Venezuela | (9) | 722.02 | +0.0 | 7,981.05 | +0.2 |
| Asia | (719) | 238.74 | +1.3 | 14.8 | +1.4 |
| China | (15) | 84.19 | +0.0 | 18.15 | +0.1 |
| South Korea | (159) | 765.05 | +0.6 | 32.27 | +0.7 |
| Philippines | (42) | 235.05 | -0.5 | 258.46 | -0.3 |
| Taiwan, China | (90) | 170.55 | +4.7 | 177.16 | +4.8 |
| India | (78) | 95.19 | -0.2 | 120.80 | -0.3 |
| Indonesia | (46) | 119.79 | -2.0 | 158.26 | -2.2 |
| Malaysia | (148) | 301.13 | +0.9 | 278.85 | +0.8 |
| Pakistan | (25) | 233.59 | +0.5 | 426.18 | +0.6 |
| Sri Lanka | (1) | 115.28 | +4.4 | 146.39 | +4.6 |
| Thailand | (87) | 174.35 | -4.5 | 180.73 | -4.5 |
| East/East Asia | (294) | 186.73 | +0.3 | 188.7 | +0.3 |
| Czech Rep | (7) | 60.89 | -3.4 | 62.43 | -3.5 |
| Egypt | (16) | 106.17 | -1.3 | 105.02 | -1.3 |
| Greece | (54) | 326.96 | +1.1 | 326.87 | +1.1 |
| Hungary | (12) | 254.30 | +3.2 | 257.82 | +3.4 |
| Jordan | (7) | 118.12 | -1.4 | 120.74 | -1.4 |
| Morocco | (8) | 131.58 | 0.0 | 135.65 | +0.3 |
| Poland | (30) | 728.00 | -1.8 | 1,447.53 | -1.4 |
| Portugal | (28) | 171.76 | +0.9 | 204.85 | +0.9 |
| Russia | (15) | 116.82 | +0.4 | 118.18 | +0.7 |
| Slovakia | (5) | 107.08 | +0.1 | 119.88 | +0.2 |
| South Africa | (83) | 238.05 | +1.3 | 218.81 | +1.3 |
| Turkey | (59) | 187.68 | -3.5 | 120.43 | -3.5 |
| Zimbabwe | (5) | 538.33 | -1.3 | 590.78 | -1.3 |
| Composites | (1,226) | 316.81 | +0.1 | 77.3 | +0.1 |

Indices are calculated at end of week. Weekly changes are percentage movements from the previous Friday. Data after the 1996-97 except those noted which are: (1996) 1996; (1995) 1995; (1994) 1994; (1993) 1993; (1992) 1992; (1991) 1991; (1990) 1990; (1989) 1989; (1988) 1988; (1987) 1987; (1986) 1986; (1985) 1985; (1984) 1984; (1983) 1983; (1982) 1982; (1981) 1981; (1980) 1980; (1979) 1979; (1978) 1978; (1977) 1977; (1976) 1976; (1975) 1975; (1974) 1974; (1973) 1973; (1972) 1972; (1971) 1971; (1970) 1970; (1969) 1969; (1968) 1968; (1967) 1967; (1966) 1966; (1965) 1965; (1964) 1964; (1963) 1963; (1962) 1962; (1961) 1961; (1960) 1960; (1959) 1959; (1958) 1958; (1957) 1957; (1956) 1956; (1955) 1955; (1954) 1954; (1953) 1953; (1952) 1952; (1951) 1951; (1950) 1950; (1949) 1949; (1948) 1948; (1947) 1947; (1946) 1946; (1945) 1945; (1944) 1944; (1943) 1943; (1942) 1942; (1941) 1941; (1940) 1940; (1939) 1939; (1938) 1938; (1937) 1937; (1936) 1936; (1935) 1935; (1934) 1934; (1933) 1933; (1932) 1932; (1931) 1931; (1930) 1930; (1929) 1929; (1928) 1928; (1927) 1927; (1926) 1926; (1925) 1925; (1924) 1924; (1923) 1923; (1922) 1922; (1921) 1921; (1920) 1920; (1919) 1919; (1918) 1918; (1917) 1917; (1916) 1916; (1915) 1915; (1914) 1914; (1913) 1913; (1912) 1912; (1911) 1911; (1910) 1910; (1909) 1909; (1908) 1908; (1907) 1907; (1906) 1906; (1905) 1905; (1904) 1904; (1903) 1903; (1902) 1902; (1901) 1901; (1900) 1900; (1899) 1899; (1898) 1898; (1897) 1897; (1896) 1896; (1895) 1895; (1894) 1894; (1893) 1893; (1892) 1892; (1891) 1891; (1890) 1890; (1889) 1889; (1888) 1888; (1887) 1887; (1886) 1886; (1885) 1885; (1884) 1884; (1883) 1883; (1882) 1882; (1881) 1881; (1880) 1880; (1879) 1879; (1878) 1878; (1877) 1877; (1876) 1876; (1875) 1875; (1874) 1874; (1873) 1873; (1872) 1872; (1871) 1871; (1870) 1870; (1869) 1869; (1868) 1868; (1867) 1867; (1866) 1866; (1865) 1865; (1864) 1864; (1863) 1863; (1862) 1862; (1861) 1861; (1860) 1860; (1859) 1859; (1858) 1858; (1857) 1857; (1856) 1856; (1855) 1855; (1854) 1854; (1853) 1853; (1852) 1852; (1851) 1851; (1850) 1850; (1849) 1849; (1848) 1848; (1847) 1847; (1846) 1846; (1845) 1845; (1844) 1844; (1843) 1843; (1842) 1842; (1841) 1841; (1840) 1840; (1839) 1839; (1838) 1838; (1837) 1837; (1836) 1836; (1835) 1835; (1834) 1834; (1833) 1833; (1832) 1832; (1831) 1831; (1830) 1830; (1829) 1829; (1828) 1828; (1827) 1827; (1826) 1826; (1825) 1825; (1824) 1824; (1823) 1823; (1822) 1822; (1821) 1821; (1820) 1820; (1819) 1819; (1818) 1818; (1817) 1817; (1816) 1816; (1815) 1815; (1814) 1814; (1813) 1813; (1812) 1812; (1811) 1811; (1810) 1810; (1809) 1809; (1808) 1808; (1807) 1807; (1806) 1806; (1805) 1805; (1804) 1804; (1803) 1803; (1802) 1802; (1801) 1801; (1800) 1800; (1799) 1799; (1798) 1798; (1797) 1797; (1796) 1796; (1795) 1795; (1794) 1794; (1793) 1793; (1792) 1792; (1791) 1791; (1790) 1790; (1789) 1789; (1788) 1788; (1787) 1787; (1786) 1786; (1785) 1785; (1784) 1784; (1783) 1783; (1782) 1782; (1781) 1781; (1780) 1780; (1779) 1779; (1778) 1778; (1777) 1777; (1776) 1776; (1775) 1775; (1774) 1774; (1773) 1773; (1772) 1772; (1771) 1771; (1770) 1770; 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(1692) 1692; (1691) 1691; (1690) 1690; (1689) 1689; (1688) 1688; (1687) 1687; (1686) 1686; (1685) 1685; (1684) 1684; (1683) 1683; (1682) 1682; (1681) 1681; (1680) 1680; (1679) 1679; (1678) 1678; (1677) 1677; (1676) 1676; (1675) 1675; (1674) 1674; (1673) 1673; (1672) 1672; (1671) 1671; (1670) 1670; (1669) 1669; (1668) 1668; (1667) 1667; (1666) 1666; (1665) 1665; (1664) 1664; (1663) 1663; (1662) 1662; (1661) 1661; (1660) 1660; (1659) 1659; (1658) 1658; (1657) 1657; (1656) 1656; (1655) 1655; (1654) 1654; (1653) 1653; (1652) 1652; (1651) 1651; (1650) 1650; (1649) 1649; (1648) 1648; (1647) 1647; (1646) 1646; (1645) 1645; (1644) 1644; (1643) 1643; (1642) 1642; (1641) 1641; (1640) 1640; (1639) 1639; (1638) 1638; (1637) 1637; (1636) 1636; (1635) 1635; (1634) 1634; (1633) 1633; (1632) 1632; (1631) 1631; (1630) 1630; (1629) 1629; (1628) 1628; (1627) 1627; (1626) 1626; (1625) 1625; (1624) 1624; (1623) 1623; (1622) 1622; (1621) 1621; (1620) 1620; (1619) 1619; (1618) 1618; (1617) 1617; (1616) 1616; (1615) 1615; (1614) 1614; (1613) 1613; (1612) 1612; (1611) 1611; (1610) 1610; (1609) 1609; (1608) 1608; (1607